

AD-A256 136



2

NAVAL POSTGRADUATE SCHOOL

Monterey, California



DTIC
ELECTE
OCT 19 1992
S C D

THESIS

Planning, Programming and Budgeting System (PPBS)
Budget Review and Congressional Action

by

Howard H. Haynes, Jr.
June 1992

Thesis Advisor:

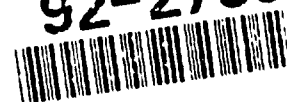
Jerry L. McCaffery

Approved for public release; distribution is unlimited

92 10 16 048

251450

96pg
92-27335



BEST
AVAILABLE COPY

Unclassified

SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE			
1a. REPORT SECURITY CLASSIFICATION Unclassified		1b. RESTRICTIVE MARKINGS	
2a. SECURITY CLASSIFICATION AUTHORITY		3. DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited.	
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE			
4. PERFORMING ORGANIZATION REPORT NUMBER(S)		5. MONITORING ORGANIZATION REPORT NUMBER(S)	
6a. NAME OF PERFORMING ORGANIZATION Naval Postgraduate School	6b. OFFICE SYMBOL (If applicable) 36	7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School	
6c. ADDRESS (City, State, and ZIP Code) Monterey, CA 93943-5000		7b. ADDRESS (City, State, and ZIP Code) Monterey, CA 93943-5000	
8a. NAME OF FUNDING/SPONSORING ORGANIZATION	8b. OFFICE SYMBOL (If applicable)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
8c. ADDRESS (City, State, and ZIP Code)		10. SOURCE OF FUNDING NUMBERS	
		Program Element No.	Project No.
		Task No.	Work Unit Accession Number
11. TITLE (Include Security Classification) PLANNING, PROGRAMMING AND BUDGETING SYSTEM (PPBS), BUDGET REVIEW AND CONGRESSIONAL ACTION (UNCLASSIFIED)			
12. PERSONAL AUTHOR(S) Haynes, Howard H. Jr.			
13a. TYPE OF REPORT Master's Thesis	13b. TIME COVERED From To	14. DATE OF REPORT (year, month, day) June, 1992	15. PAGE COUNT 96
16. SUPPLEMENTARY NOTATION The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
17. COSATI CODES		18. SUBJECT TERMS (continue on reverse if necessary and identify by block number)	
FIELD	GROUP	SUBGROUP	
		Planning, Programming and Budgeting (PPBS), Comptroller, Federal Budget	
19. ABSTRACT (continue on reverse if necessary and identify by block number) This thesis examines the role of financial managers within the Department of the Navy with respect to the federal budget process and the Department of Defense Planning, Programming and Budgeting System (PPBS). This study determines the most current practices used in these processes and translates the information into useable material for Department of the Navy station comptrollers and military financial managers. As such, it is intended to form the basis for a working knowledge of the complex world of federal budgeting for the newly reporting station comptroller, who in many cases has had little or no prior concern with such issues.			
20. DISTRIBUTION/AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS REPORT <input type="checkbox"/> DTIC USERS		21. ABSTRACT SECURITY CLASSIFICATION unclassified	
22a. NAME OF RESPONSIBLE INDIVIDUAL Jerry L. McCaffery		22b. TELEPHONE (Include Area code) (408) 646-2884	22c. OFFICE SYMBOL Code ASMM

DD FORM 1473, 84 MAR

83 APR edition may be used until exhausted
All other editions are obsoleteSECURITY CLASSIFICATION OF THIS PAGE
Unclassified

Approved for public release; distribution is unlimited.

Planning, Programming and Budgeting System (PPBS)
Budget Review and Congressional Action

by

Howard H. Haynes, Jr.
Lieutenant, CEC, United States Navy
B.S., Texas A & M University, 1984

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN FINANCIAL MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
June 1992

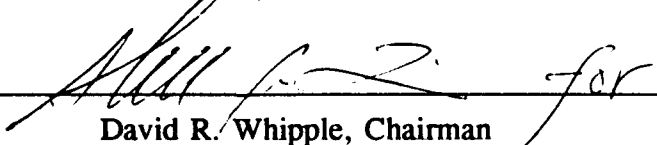
Author:


Howard H. Haynes, Jr.

Approved by:


Jerry L. McCaffery, Principal Advisor


Louis Kalmar, Associate Advisor


David R. Whipple, Chairman

ABSTRACT

This thesis examines the role of financial managers within the Department of the Navy with respect to the federal budget process and the Department of Defense Planning, Programming and Budgeting System (PPBS). This study determines the most current practices used in these processes and translates the information into useable material for Department of the Navy station comptrollers and military financial managers. As such, it is intended to form the basis for a working knowledge of the complex world of federal budgeting for the newly reporting station comptroller, who in many cases has had little or no prior concern with such issues.

Author	For	War
1960-1961		<input checked="" type="checkbox"/>
1962-1963		<input type="checkbox"/>
Used		<input type="checkbox"/>
Justification		
Availability Codes		
Dist	Avail and/or	
Special		
A-1		

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	PURPOSE	1
B.	BACKGROUND	2
C.	METHODOLOGY	4
D.	A NOTE ON STYLE	5
II.	INTRODUCTION TO THE FEDERAL BUDGET PROCESS	6
A.	OVERVIEW OF BUDGET PROCESS LEGISLATION	6
B.	PHASE I: EXECUTIVE FORMULATION AND TRANSMITTAL	10
C.	PHASE II: CONGRESSIONAL ACTION	12
D.	PHASE III: BUDGET EXECUTION AND CONTROL	19
III.	PLANNING, PROGRAMMING AND BUDGETING SYSTEM	22
A.	WHAT IS PPBS?	22
B.	GOAL OF PPBS	24
C.	OVERVIEW OF DOD PPBS PHASES	24
	1. Planning	24
	2. Programming	25
	3. Budgeting	26
D.	DEPARTMENT OF THE NAVY PPBS	27
	1. Major Organizational Players	27
	a. Planning	27

b. Programming	28
c. Budgeting	28
E. PLANNING PHASE	29
1. Major Planning Steps	30
a. Identify National Interests	31
b. Examine World Security Environment	31
c. Define National Military Strategy	32
d. Plan Force Structure	32
2. Planning Documents	33
a. National Security Strategy of the United States	33
b. National Military Strategy Document	33
c. Defense Planning Guidance	35
F. PROGRAMMING PHASE	38
1. What is Navy Programming?	38
2. Programming Documents	39
a. Program Objectives Memorandum (POM)	39
b. Future Years Defense Program (FYDP)	40
c. Resource Allocation Display (RAD)	41
3. Programming Phases	42
a. Program Appraisal	43
b. POM Development	49
c. POM Delivery	54
d. OSD Program Review	56
G. BUDGETING PHASE	59
1. Budget Formulation	60

2. Budget Presentation and Review	62
a. DON Review	62
b. OSD/OMB Budget Review	63
IV. WRITING A POM ISSUE PAPER	66
A. WHAT IS A POM ISSUE PAPER?	66
B. POM ISSUE PAPER FORMAT	67
1. Issues	67
2. Background	68
3. Alternatives	68
4. Evaluation of Alternatives	68
5. Funding Relative to the FYDP	69
6. Offsets/Economies	69
7. Manpower Implications	70
C. GENERAL PRACTICAL POINTS	70
D. POM ISSUE PAPER STANDARDS	71
V. CONCLUSIONS	73
A. STUDY FINDINGS	73
B. FURTHER STUDIES	73
APPENDIX A: GLOSSARY	75
APPENDIX B: APPROPRIATIONS CONTENTS	80
LIST OF REFERENCES	86

INITIAL DISTRIBUTION LIST	87
-------------------------------------	----

LIST OF FIGURES

Figure 1	PPBS Sequence of Events	24
Figure 2	Planning Process Overview	30
Figure 3	Resource Allocation Display	42
Figure 4	Program Appraisal	43
Figure 5	POM Development	50
Figure 6	Appropriation Review	52
Figure 7	PPBS Managers	54
Figure 8	POM Delivery	55
Figure 9	OSD Program Review	57
Figure 10	PPBS Milestones	59
Figure 11	Budget Formulation	60
Figure 12	DON Budget Review Cycle	63
Figure 13	OSD/OMB Budget Review Cycle	64

I. INTRODUCTION

A. PURPOSE

The purpose of this thesis is to examine the role of financial managers within the Department of the Navy with respect to the federal budget process and the Department of the Navy Planning, Programming and Budgeting System (PPBS). Specifically, this study will determine the most current practices used in the federal budget and PPBS processes and translate the information into useable material for Department of the Navy station comptrollers and financial managers.

This thesis will form the basis for a working knowledge of the complex world of federal budgeting for the newly assigned station comptroller, who in many cases had little or no prior concern with such issues. As such, this study will focus on areas determined to be of importance to the intended user, and provide a cursory introduction to those portions of the process that do not directly affect the military financial manager. This study will serve as a revision to the current text for the Practical Comptrollership Course (NPS Monterey) and the Financial Management in the Armed Forces course (MN 3154).

B. BACKGROUND

The purpose of planning, programming and budgeting within the Department of the Navy is to obtain and provide the necessary Navy and Marine Corps forces and associated resources to meet national military objectives. In order to ensure maximum effectiveness toward obtaining needed forces and resources, it is the policy of the Department of the Navy to decentralize programming and budgeting tasks while providing centralized policy guidance. The involvement in program and budget formulation of organizations responsible for execution leads to the most effective combination of programs and resources for the Navy and Marine Corps and results in a budget that allows execution to proceed effectively (SECNAVINST 5000.16E, 1986).

The ultimate objective of the Planning, Programming and Budgeting System is to provide operational commanders the best mix of forces, equipment, and support attainable within fiscal constraints (DoD Directive 7045.14, 1984).

Newly assigned station comptrollers and military financial managers are often placed into such positions without any previous training on the federal budget process or Department of the Navy PPBS process. This lack of familiarity with the complex federal budget process may lead to failure to understand how decisions and trade-offs made during the PPBS process can affect the station budget.

The basic responsibility of the station comptroller is to assure that the requisites for sound financial management of the command are recognized and provided. The comptroller must provide technical guidance and direction in financial management throughout the local organization. He must maintain a classification of the programs administered, and their objectives, and a current inventory of budget plans and program schedules. The station comptroller is further responsible for local budget formulation, review, and execution; the collection of obligation, expenditure, cost, and other accounting and operating data; the review of program performance against the financial plan; and the promotion of economy and efficiency in the performance of assigned programs.

The station comptroller must be responsive to the needs of management and must anticipate the future requirements of current programs, with the aim of assisting management in achieving program objectives with economy and efficiency. Proper training is therefore necessary to preclude inefficiencies.

The Practical Comptrollership Course and Financial Management in the Armed Forces (MN 3154) are courses taught at Naval Postgraduate School several times throughout the year. The courses are designed to familiarize Navy comptrollers and military financial managers with existing regulations, procedures, and management suggestions from experienced

financial managers in the field. These courses have historically provided very valuable training to a wide audience, but require review and revision to ensure that the material presented is the most current, relevant information available. Further, the information must be presented in a manner such that the user can readily understand the processes and his or her involvement and responsibilities in the system.

C. METHODOLOGY

The methodology by which this study was conducted included research into all applicable directives, instructions, and publications from the Department of Defense and Department of the Navy. Further literary research of periodicals was conducted for important current issues relevant to the federal budget process.

Interviews were conducted with members of the Office of the Secretary of Defense and the Office of the Chief of Naval Operations. Various claimants and commands were interviewed as well. Interviews were deemed appropriate for this study since the success of the station comptroller and military financial manager is often dependent on the working relationship established with the type commander and major claimant. The kinds of questions asked of type commanders and claimants focused on what they considered important areas of concentration for newly assigned station comptrollers.

Following a thorough review of the available literature in this area of study, interviews and data collection were conducted over a period of eight weeks, with follow up interviews as required for clarification.

D. A NOTE ON STYLE

Chapters II through IV of this thesis are intended to be used as a supplement to existing courses taught at the Naval Postgraduate School, Monterey, California. For the sake of readability the strict style normally used for theses will be slightly relaxed to allow the usage of second person pronouns. The usage of the term "he" or "she" is intended generically, as is the possessive "his" or "her". It should be understood that either term is equally applicable to all such usages.

II. INTRODUCTION TO THE FEDERAL BUDGET PROCESS

The purpose of the federal budget process is to allocate scarce resources among competing public demands in order to attain national objectives. The process by which this is accomplished has changed dramatically in recent years as a result of the Budget Enforcement Act of 1990.

The federal budget process has three main phases: (1) executive formulation and transmittal; (2) congressional action; and (3) budget execution and control. Each of these phases are interrelated and overlap.

A. OVERVIEW OF BUDGET PROCESS LEGISLATION

The original budget process was established in the Congressional Budget and Impoundment Control Act of 1974. This Act created a framework for congressional budget decisions. Revised congressional procedures were established so that the congressional budget debate would occur more systematically and enhance accountability in Congress for budget decisions (Collender, 1991).

The Balanced Budget and Emergency Deficit Control Act of 1985, better known as the Gramm-Rudman-Hollings (GRH I) Act, and the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (GRH II) were enacted to reduce the

federal deficit. Both Acts included a timetable to a balanced budget and a new schedule for the budget process. The GRH Acts set specific annual deficit targets that the president and Congress were required to follow. GRH also established an enforcement mechanism called **sequestration** that cut spending if Congress and the president did not enact laws to reduce the projected deficit to the maximum amount set for that year. Ultimately, GRH gives politicians the best of both worlds - the appearance of doing something about the deficit and the reality of not having to do very much (Schick, 1990).

The Budget Enforcement Act of 1990 (BEA) made a number of significant changes to the budget processes developed under GRH I and GRH II. It changed the emphasis in the congressional budget process from controlling the growth of the deficit to limiting government spending (Doyle and McCaffery, 1991). Unlike GRH, BEA does not require that the deficit be eliminated by a certain deadline.

BEA divides the **discretionary** appropriations portion of the budget into three expanded packages - defense, domestic, and international, and established spending targets or caps for each package. All other spending, other than discretionary appropriations, is called **direct spending**. Direct spending includes entitlements, food stamps, and net interest payments on the debt. To enforce spending limits, the BEA established three different sequestration procedures:

- discretionary spending "mini-sequesters"
- pay-as-you-go sequesters for direct spending and receipts
- maximum deficit targets

BEA sets spending caps for both budget authority and outlays in each of the discretionary categories for fiscal 1991-1993. As shown in Table 1, in fiscal 1994 and 1995 the spending caps are on total discretionary spending. Prior to

TABLE 1

BEA APPROPRIATIONS SPENDING CAPS (billions of dollars)					
	1991	1992	1993	1994	1995
Defense					
Budget Authority	288.9	291.6	291.8		
Outlays	297.7	295.7	292.7		
International					
Budget Authority	20.1	20.5	21.4		
Outlays	18.6	19.1	19.6		
Domestic					
Budget Authority	182.7	191.3	198.3		
Outlays	198.1	210.1	221.7		
Total Discretionary					
Budget Authority				510.8	517.7
Outlays				534.8	540.8

BEA, GRH set overall deficit targets and provided a single sequester early in the fiscal year if the targets were not met by Congress. In contrast, BEA provides for ongoing **mini-sequesters** if spending caps are exceeded in any of the three

discretionary spending categories. For example, if Congress adopts a new defense program in fiscal 1993 resulting in excess budget authority over the \$291.8 billion cap, the excess would trigger a proportional reduction across all programs in defense discretionary spending. (Kee and Nystrom, 1991)

BEA established **pay-as-you-go sequesters** for direct spending, such as entitlements. Any legislation creating a new entitlement, enhanced program, or cutting revenue must contain within it an offset, either equal reductions in other entitlements or increased revenues. For example, if Congress adopts enhancements to an entitlement program, such as Medicare, either an equal reduction in another entitlement program, such as veterans pensions, or an increase in taxes must occur. The purpose of the pay-as-you-go sequester is to ensure that no new legislation will increase the deficit.

The Act also established new overall deficit targets. The revised targets are substantially higher than the targets established as part of the GRH enactments. A **general sequester** will occur if the maximum deficit target amounts are not met.

When BEA was enacted in 1990, its major thrust was to set out budget policy for the next five years (Caiden, 1991). It also shifted the focus of the budget process from deficit reduction to spending control, and established spending caps for discretionary appropriations for five years. Enforcement

mechanisms such as mini-sequesters, and pay-as-you-go provisions were developed. BEA ensures budgetary process stability until the 1992 presidential election. After the election, a reapportionment of defense and non-defense spending is to occur under the Act. Regardless of the election outcome, BEA is unlikely to be the final word on budget reform.

B. PHASE I: EXECUTIVE FORMULATION AND TRANSMITTAL

The **President's Budget** sets forth the president's financial plan and indicates his priorities for the federal government. The primary focus of the budget is on the budget year - the next fiscal year for which Congress needs to make appropriations. However, the budget is developed in the context of a multi-year budget planning system that includes coverage of the four years following the budget year.

As required by the Budget Enforcement Act of 1990, the president transmits his budget to Congress in February of each calendar year for the budget year, which begins on October first. The process of formulating the president's budget begins not later than the spring of the previous year, at least nine months before the budget is transmitted and at least eighteen months before the budget fiscal year begins. For example, the formulation process began in the spring of 1992 for the president's 1994 budget, which will be transmitted to Congress in February of 1993.

During the formulation of the budget, there is a continual exchange of information, proposals, evaluations, and policy decisions between the President, the Office of Management and Budget (OMB), other Executive Office units, and the various government agencies. Decisions concerning the upcoming budget are influenced by the results of previously enacted budgets, including the one being executed by the agencies, and reactions to the last proposed budget, which is being considered by the Congress. Decisions are also influenced by the projected economic outlook prepared by the Council of Economic Advisors, OMB, and the Treasury.

Agency budget requests are submitted to OMB in September, where they are reviewed in detail, and preliminary decisions are made. These decisions may be revised as a result of presidential review. Fiscal policy issues, which affect outlays and receipts, are reexamined. Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the total outlays and receipts that are appropriate in relation to current and prospective economic conditions, and the requirements of the Budget Enforcement Act of 1990.

BEA requires the president's budget to include the economic forecast that must be used throughout the rest of the budget process. The president's budget will also include adjusted caps for each of the three categories of discretionary spending that will be used to determine how much

can be appropriated. Like the annual maximum deficits, the caps will be adjusted each year by the president to account for a revised inflation forecast, updated technical assumptions, any changes in concepts and definitions, and any reestimates of the costs of any federal credit programs. (Collender, 1991)

BEA further requires that the president's budget have a deficit no higher than the maximum deficit amount set for the year after all adjustments have been made. Finally, the president's budget must ensure that spending in the three discretionary categories - defense, international, and domestic - does not exceed the adjusted caps for each respective category.

C. PHASE II: CONGRESSIONAL ACTION

The president's budget is only a proposal. It will be debated, amended, and sometimes overlooked by Congress during its deliberations for the rest of the budget year. However, virtually all congressional budget activities that take place throughout the rest of the process will use the president's budget as a starting point for debate. Many of the detailed decisions made in compiling the president's budget will not be reviewed by Congress because of lack of interest, staff, and time. Therefore, regardless of what Congress may do to alter the budget at the different stages of its own process, to a

large extent the president will dominate most spending decisions. (Collender, 1991)

Budget committees will hold hearings to consider the whole budget, while authorization and appropriations committees will hold hearings on the specific parts of the budget within their legislative jurisdiction. The committees are likely to hear from administration officials, outside economists, interest groups, and the Congressional Budget Office (CBO), which is required to analyze the president's budget and report to Congress.

All authorization and appropriations committees are required to complete initial **views and estimates** on the president's budget within six weeks after the president's budget has been submitted to Congress. The views and estimates of the various committees are initial forecasts of the actions they might take during the session, including support for and deviations from the president's budget. As such, they often identify the issues that are likely to be controversial. However, reports on views and estimates are not binding on the committees that make them. They are used by the budget committees, along with several other considerations, to compile the congressional budget resolution.

The **congressional budget resolution** is Congress's budget. Development of the budget resolution is the core step of the congressional budget process (Schick, 1980). The resolution

sets the total level of budget authority, outlays, revenues, surplus or deficit, and determines priorities by dividing these totals among the budget functions. The major purpose of the budget resolution is to provide a fiscal blueprint for all congressional committees.

The congressional budget resolution is expected to be adopted by April 15 each year. The 1974 Congressional Budget Act requires the budget resolution to specify:

- The appropriate level of budget authority and outlays for the total budget
- The recommended level of revenues
- The surplus or deficit
- The level of budget authority and outlays for each budget function
- The appropriate level of the public debt

The Budget Enforcement Act has left Congress with little discretion concerning the levels in the budget resolution. The maximum deficit is set by BEA, as are the caps for the National Defense and International Affairs functions. BEA does not, however, set caps on each of the domestic functions (such as Energy, Agriculture, and Community and Regional Development) - it only provides a cap on overall discretionary domestic spending.

The congressional budget resolution is drafted by the budget committees after careful review of a number of sources of information, particularly the president's budget. Views

and estimates are also considered, as well as testimony from hearings, public reaction to presidential initiatives, and the desires of the committee members (Collender, 1991). It is important to realize that the budget resolution only makes decisions on the aggregate and functional totals, not program decisions. For example, the National Defense functional total will be determined, not the amount of budget authority for a particular program within defense, such as the Seawolf attack submarine acquisition program. The budget committees naturally make certain assumptions about particular programs as the budget resolution is being drafted, but these assumptions are not binding on the authorization, appropriations, and revenue committees.

The draft budget resolutions developed by the budget committees are then reported out to the full House and Senate for debate. Ultimately, a compromise budget resolution is established that provides allocations to all committees for the budget year. In the event that a budget resolution cannot be adopted by April 15, BEA requires that all committees receive allocations based on the amounts included in the president's budget for the three categories of discretionary spending. This ensures that the appropriations process can begin immediately.

The congressional budget resolution is a statement of the fiscal policy Congress has adopted for the budget year. **Reconciliation** is an enforcement mechanism designed to ensure

that congressional committees comply with the fiscal policy established in a budget resolution (Schick, 1981). Reconciliation instructions are organized by committee, whereas the budget resolution is organized by budget function. The budget resolution may direct one or more committees to change existing law to comply with the resolution's spending ceilings and revenue floor or to offset a proposed mandatory spending increase or revenue reduction. Each affected committee must then submit recommendations to its respective budget committee as to how the required spending cuts or tax increases are to be achieved. After floor debate, a reconciliation bill is adopted.

The first part of the congressional budget process that commits the federal government to conducting certain activities and spending money is the passage of the different **authorization** and **appropriations** bills. An authorization must be passed allowing a program to exist. The authorization establishes the purpose and guidelines for a given activity and usually sets the limit on the amount that can be spent. However, the authorization does not provide the actual dollars for a program. An appropriation must be passed that enables an agency to make spending commitments and spend money.

Each authorization and appropriations bill must be accompanied with a report that includes specific budget information concerning how the bill compares with the budget resolution allocation given to the committee, and a CBO

projection of how the bill affects the levels of budget authority, outlays, spending authority, and revenues through 1995.

The flow of appropriations bills through Congress begins in the House. The House Appropriations Committee receives its allocation from the congressional budget resolution by April 15. The House Appropriations Committee then deliberates and formally recommends to the full House its version of all budget year appropriations bills. The House is then supposed to pass its version of all budget year appropriations by the end of June. After the appropriations bills are approved by the House, they are forwarded to the Senate, where a similar review follows. In case of disagreement between the two Houses of Congress, a conference committee meets to resolve the differences. The report of the conference committee is returned to both Houses for approval, signed by the Speaker of the House and the President of the Senate, and finally transmitted to the President for his approval or veto.

When actions on appropriations bills are not completed by the beginning of the fiscal year, Congress enacts a **continuing resolution** to provide authority for agencies to continue financing operations up to a specified date or until regular appropriations are enacted.

Congress adjourns after completion of the appropriations bills. Fifteen days after adjournment, OMB determines if an **end-of-session sequester** is necessary based on the

appropriations that have been enacted during the just-completed session of Congress. A breach that exceeds the cap for either budget authority or outlays will cause all spending within the category to be cut across the board by whatever percentage is necessary to bring the spending back to the limit.

Within-session sequesters will occur after Congress convenes (but before July 1) if during that period a bill is enacted that breaches a cap for the current fiscal year. Within-session sequesters will occur fifteen days after the president signs the legislation. Like the end-of-session sequester, current-year budget authority and outlays will be reduced within the appropriate category by the percentage necessary to reduce spending to the limit.

The third possible discretionary spending sequester is the **Look-back sequester**. This occurs if a spending bill for the current fiscal year is enacted during the fourth quarter of the year and breaches a cap. The current-year spending limit will be unaffected. The budget year cap, however, is lowered by the amount of the breach.

Mandatory spending and revenues may be affected by **pay-as-you-go sequesters**, as discussed earlier. Finally, an **excess-deficit sequester** will occur to reduce the deficit to the maximum allowable if OMB projects that it will be exceeded. The spending cuts for an excess-deficit sequester will be divided equally between military and domestic spending and all

eligible programs in each category will be cut by the same across-the-board percentage. There is little chance that an excess-deficit will occur under the current provisions of the BEA.

D. PHASE III: BUDGET EXECUTION AND CONTROL

Once approved, the President's budget, as modified by Congress and reduced by sequestration, if necessary, becomes the basis for the financial plan for the operations of each agency during the fiscal year. Budget authority is made available to the agencies of the executive branch through an **apportionment** system. The Director of OMB apportions (distributes) appropriations and other budgetary resources to each agency over time and by activity in order to ensure the effective use of available resources.

Changes in law or unforeseen factors may dictate the need for additional appropriations during the year, and **supplemental requests** may have to be sent to Congress. The president may also designate an **emergency requirement** and seek additional discretionary appropriations through emergency legislation subsequently enacted into law. Emergency appropriations result in the spending cap for that category being adjusted to accomodate the additional spending, and will not trigger a sequester.

The president may take **impoundment** action that prevents obligation or expenditure of budget authority under limited

circumstances. The first type of impoundment allows the president to propose a **deferral** under three circumstances:

- for contingencies
- for emergencies
- as specifically provided by law

A deferral must be reported by the president to Congress and the comptroller general in a deferral message that must include full explanation and justification. A deferral may not extend beyond the end of the fiscal year. A proposed deferral is automatically considered to be approved until either house of Congress specifically votes to disapprove it.

The other type of impoundment is a **recission**, an executive action not to obligate or spend part of the budget authority provided in an appropriation. When proposing a recission, the president must send a message to the House, the Senate, and the comptroller general explaining the proposal in detail, including the amount of the budget authority to be rescinded, the specific project for which the budget authority is intended, and the reasons for the action. A recission must be specifically approved by both houses of Congress within forty-five days after the message is received from the president. If either house votes to disapprove the proposal, or takes no action, the president must spend the funds as originally intended.

The impoundment control procedures provide both the president and Congress with the opportunity to make adjustments in the budget after it has been approved if events occur that differ from the assumptions on which the budget was based.

Following chapters in this thesis will discuss how the Department of Defense budget is formulated and the relationship it has to the federal budget process.

III. PLANNING, PROGRAMMING AND BUDGETING SYSTEM

A. WHAT IS PPBS?

The Planning, Programming, and Budgeting System (PPBS) coordinates planning efforts at the national level of the civilian and military organization. The PPBS is principally concerned with the management of resources to meet strategic requirements. The PPBS translates force requirements developed by the military in the National Military Strategy Document (NMSD) into budgetary requirements which are then presented to Congress as part of the President's budget. A key feature of PPBS is that it brings fiscal reality to the resource allocation process.

The Planning, Programming, and Budgeting System is simply a decision-making process for allocating defense resources. The PPBS process operates year-round; each of the three functions of the system (planning, programming, and budgeting) operates on a near-continuous basis, although not simultaneously on the same fiscal year. The process moves from broad planning considerations to more definitive program objectives to specific budget estimates which price out programs. Although the field comptroller may not be intimately or directly involved in this process, annual budget calls from major claimants link him to PPBS. It is therefore

essential for the comptroller to be familiar with the PPBS process.

Planning, Programming, and Budgeting as a management system was first introduced in 1962 by Secretary of Defense Robert S. McNamara. In the simplest of terms, PPBS is a system designed to assist the Secretary of Defense in making choices about the allocation of resources among a number of competing or possible programs and alternatives to accomplish specific objectives in our national defense.

The Planning, Programming, and Budgeting System contrasts with the traditional budgeting process which preceeded it in two significant ways. First, PPBS, tends to focus less on the existing base and annual incremental improvements to it. Instead, its focus is more on objectives and purposes, and the long-term alternative means for achieving them. As a result of this emphasis, planning has been elevated to a level on par with budgetary management and control. Secondly, the system links planning and budgeting through programming - a process which essentially defines procedures for distributing available resources equitably among many competing or possible programs.

The PPBS process can be summarized in a few words. Based on the anticipated **threat** to national security objectives, a **strategy** is developed. **Requirements** of the strategy are then estimated and **programs** are developed to package and execute

the strategy. Finally the costs of approved programs are **budgeted** in the sequence shown below in Figure 1.

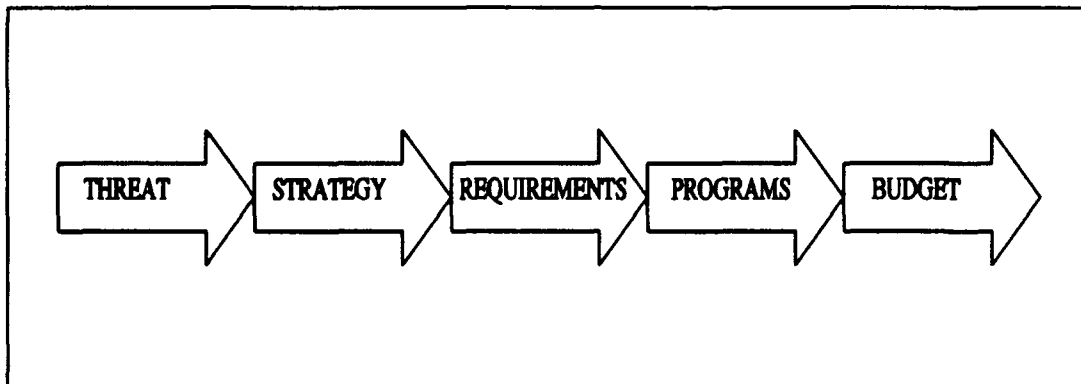


Figure 1 PPBS Sequence of Events

B. GOAL OF PPBS

The goal of PPBS is to arrive at the most effective allocation of resources to accomplish our national defense objectives. In other terms, the ultimate objective of PPBS is to provide operational commanders with the best mix of forces, equipment, and support attainable within fiscal constraints.

C. OVERVIEW OF DOD PPBS PHASES

1. Planning

The Department of Defense PPBS begins with a review of the state of U.S. national security and its objectives, consideration of broad strategies for dealing with the threats to national security, and development of force structures and levels that will support those strategies. Those steps are followed by development of defense-wide policies with respect to manpower, logistics, acquisition, and other functional

areas. These planning elements are brought together under the general direction of the Under Secretary of Defense for Policy and represent the views of all the senior defense staff offices, including the various elements of the Office of the Secretary of Defense (OSD), the Joint Chiefs of Staff (JCS), the unified and specified commanders (CINCs), and affected staff elements of the military services and the defense agencies. The broad elements of national security policy guidance are also derived in coordination with the National Security Council and the Office of Management and Budget. The planning guidance that arises from this process is reviewed by the Defense Planning and Resources Board (DPRB) to ensure that the guidance represents realistic and executable direction. Upon completion of that review, the Defense Planning Guidance (DPG) is signed out by the Secretary of Defense to the military departments and defense agencies, with instructions to prepare and submit their Program Objectives Memoranda (POM) consistent with that guidance.

2. Programming

Once the Defense Planning Guidance is issued, the initiative is passed to the military services and defense agencies to develop the specific and detailed force components, modernization and support requirements, acquisition and personnel policies, and so on, to achieve a balanced set of programs to carry out the guidance. These

programmatic proposals are embodied in POMs submitted for review and approval by the Secretary of Defense.

3. Budgeting

The budgeting phase of PPBS involves translating the approved programs and policies as they emerge from the programming phase into a budget request that will provide the fiscal resources necessary to carry out the approved programs and policies. The budgeting phase consists of three major segments:

- Formulation and review of the appropriation-based budgets within the military services and agencies.
- Review and approval of the individual budgets, as well as the overall DOD budget, by the Secretary of Defense, the Director of the Office of Management and Budget, and the President.
- Justification of the budget, and then execution and management of the DOD budget, once approved by Congress.

A major feature of the budgeting phase is the shift in focus from considering alternative programs, policies, and total resource levels to concentrate on the detailed financial and business aspects of the individual appropriations that are to be considered by Congress in arriving at the final DOD budget. The emphasis is on justifying the specific and detailed categories of funds required to execute the overall program decisions approved by the Secretary of Defense in the programming phase.

D. DEPARTMENT OF THE NAVY PPBS

In the Department of the Navy, two POMs are prepared - one for the Navy and one for the Marine Corps. The POMs are highly interdependent, as are the departmental appropriations that follow in the budget. For example, Navy appropriations procure and support Marine Corps aircraft. These unique organizational and resource arrangements have resulted in a PPB System within the Department of the Navy that is unlike any other within DOD.

1. Major Organizational Players

a. Planning

Although both the primary activity and the major product of the PPBS planning phase are the responsibility of the Office of the Secretary of Defense and the Joint Chiefs of Staff, there is considerable interaction with the staffs of the DOD components during drafting of the proposed Defense Planning Guidance by the Under Secretary of Defense for Policy. For the Department of the Navy, the primary point of contact has been the Office of Program Appraisal in the immediate Office of the Secretary, with significant participation by members of the OPNAV and Marine Corps Headquarters staffs. For the Navy, the primary contact is the Deputy Chief of Naval Operations for Plans, Policies and Operations (OP-06). For the Marine Corps, the point of

contact is the Deputy Chief of Staff, Requirements and Programs.

b. Programming

Organizational responsibilities for the programming phase of PPBS are clearly defined by the requirement that each military department prepare and submit a service-oriented Program Objectives Memorandum (POM). The responsible offices for developing the two services' components of the DON POM are the Deputy Chief of Naval Operations, Navy Program Planning (OP-08), and for the Marine Corps, the Deputy Chief of Staff, Requirements and Programs. Coordination between these two POMs and overall responsibility for Department of the Navy programming officially rests with the Office of Program Appraisal in the Secretary's office.

c. Budgeting

The budgeting function in the Department of the Navy rests with the Office of Budgets and Reports in the Office of the Navy Comptroller. Within the Navy Secretariat, the Assistant Secretary of the Navy for Financial Management has ultimate responsibility for the budgeting function, as well as the related accounting function, for the Department.

A uniquely Navy arrangement gives another title to the Director of Budget and Reports. In addition to his responsibility for the entire Department of the Navy budget, he is also Director of the Fiscal Management Division (OP-82)

and reports to the Deputy Chief of Naval Operations, Navy Program Planning (OP-08). In this capacity, he provides assistance to the Chief of Naval Operations in (1) ensuring that Navy programmatic needs are considered in developing DON financial management systems; (2) providing information and advice on the formulation, review, justification, and execution of the DON budget; and (3) ensuring compliance with DON financial policy and procedures. In the Headquarters, United States Marine Corps, in a manner similar to that of OP-82, a Fiscal Division provides budgetary support for the Commandant of the Marine Corps and exercises control over the Marine Corps' appropriations.

E. PLANNING PHASE

Planning, the first phase of the PPBS process, starts with the assessment of the threat to the security of the United States and, when combined with the national policy, culminates in the development of force objectives to assure the security of the United States. An overview of the planning process is shown below in Figure 2.

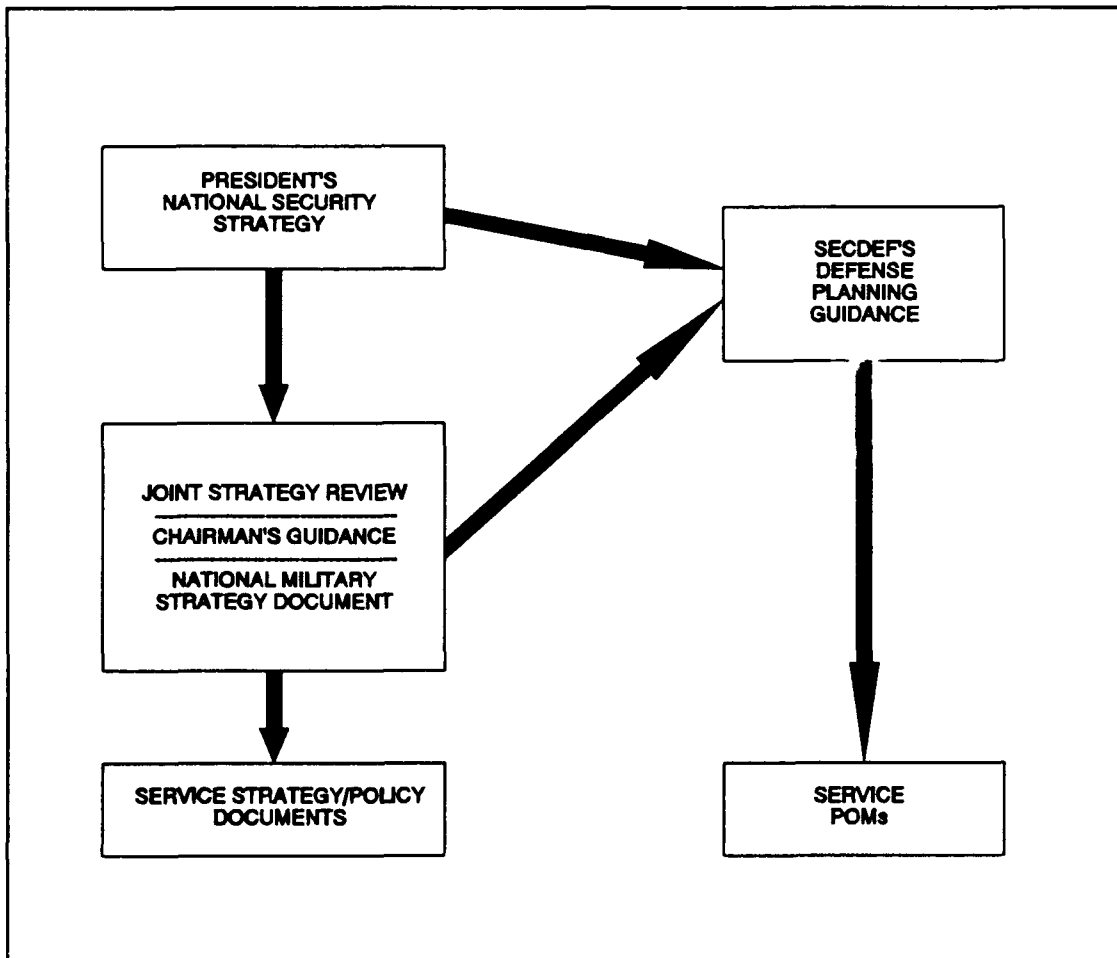


Figure 2 Planning Process Overview

1. Major Planning Steps

The major steps in the planning phase are:

- Identify national interests
- Examine world security environment
- Define national military strategy
- Plan force structure

a. *Identify National Interests*

National interests are primarily determined by the president after receiving input from a myriad of sources, including the State Department, the National Security Council, the Congress, and other executive agencies. These national interests are incorporated into the National Security Strategy of the United States.

b. *Examine World Security Environment*

The collection and evaluation of strategic intelligence is the foundation of the PPBS. With this information, the current world security environment and the need for national defense may be assessed. Assessing the current environment includes consideration of threats to national interests, international defense policy objectives, and current defense status.

Our foreign policy objectives include our international treaty commitments, such as NATO, and the access needed to various parts of the world, such as Middle East oil and the Panama Canal. Anything that would prevent our country from achieving these objectives is considered a threat.

An evaluation of the threat to our national security, the threat posed by our adversaries, provides the basis for our defense needs. Once the overall threat to the security of the United States has been appraised, a national strategy for defense can be developed to counter the threat.

The Central Intelligence Agency (CIA), under the Office of the President, the Defense Intelligence Agency (DIA), under the Joint Chiefs of Staff, and the Secretary of Defense (SECDEF) are responsible for assessing the current environment at the national level. Their knowledge of our country's defense status qualifies them to determine our defense needs.

c. Define National Military Strategy

Once the current world security environment has been fully assessed, the next planning step is to determine the military strategy and force levels necessary to counter the threat and ensure that our defense policy objectives will be achieved. This step includes the following:

- Develop idealized strategy and required force levels (unconstrained).
- Apply pragmatic resource constraints.
- Develop optimal force levels and strategy under these constraints. Define goals and objectives.
- Assess the risk again and adjust force levels and strategy as necessary.

d. Plan Force Structure

The guidance which is developed during the planning phase will prepare Navy commands and field activities to develop programs that will lead to the achievement of our goals and objectives. The planning decisions which are

documented in the form of guidance will serve as policy and resource direction for the programming phase.

2. Planning Documents

The major documents that are used and/or produced during the planning phase are:

- National Security Strategy of the United States
- National Military Strategy Document
- Defense Planning Guidance

a. National Security Strategy of the United States

This document is also referred to as the President's National Security Strategy. The most recent edition, published by the White House in August, 1991, provided the following information:

- Identifies national interests
- Reviews global and regional trends
- States political, economic, and defense strategies for the 1990s
- Outlines defense strategy, including:
 - Nuclear deterrence
 - Forward presence
 - Crisis response
 - Reconstitution
 - Introduces the concept of the base force

b. National Military Strategy Document

The National Military Strategy Document (NMSD), formally called the Joint Strategic Planning Document (JSPD),

conveys the advice of the Chairman, in consultation with the other members of the JCS and the CINCs, to the President, the National Security Council, and the SECDEF as to the recommended national military strategy and fiscally constrained force structure required to support the attainment of the national security objectives during the defense planning period covered by the next Defense Planning Guidance (DPG).

Formulation of the National Military Strategy Document is preceded by the **Joint Strategy Review (JSR)**, which initiates the DOD strategic planning cycle. The JSR is the Joint Strategic Planning System (JSPS) process for gathering information, raising issues, and facilitating the integration of the strategy, operational planning, and program assessments. The final product of the JSR is the **Chairman's Guidance (CG)**.

The Chairman's Guidance conveys guidance to the Joint Staff and information to the SECDEF, the CINCs, and the other members of the JCS regarding a framework for building the National Military Strategy Document (NMSD). The CG is structured specifically to give CJCS guidance to all players to support preparation of military strategy, the strategy and force options, and force recommendations in the NMSD.

The most recent National Military Strategy Document covers the FY1994-1999 planning period. This document can be summarized as follows:

- Builds on the President's National Security Strategy
- Identifies strategic concepts
- Provides force planning guidelines
- Defines Base Force at macro level (450 ships, 12 CVBGs, 18 SSBNs, 11 active airwings, 2 reserve airwings)
- Assigns four military force packages (Strategic, Pacific, Atlantic, Contingency)

Naval components of the NMSD are coauthorized by SECNAV, the CNO, and the CMC. The naval components concentrate on a regional vice global focus, yet define the maritime strategy to be used if a global threat reemerges. Also included in the naval components of the NMSD are the focus of efforts for the DON for the 1990s:

- Training and education
- Joint and combined operations
- Power projection
- Deployment flexibility
- Surge capability

c. Defense Planning Guidance

The Defense Planning Guidance is developed by the Office of the Secretary of Defense (OSD) and the Joint Chiefs of Staff (JCS). The Defense Planning Guidance (DPG) provides the components of DOD the policy, force and fiscal guidance necessary to construct their respective program proposals and, ultimately, their annual budgets.

The principal drafter of the DPG is the Under Secretary of Defense for Policy. DPG development is based on input from JCS, the services, CINCs, OMB, the National Security Council, and the State Department. The DPG contains four main sections:

- Strategy
- Programming Guidance
- Scenarios
- Annexes (Annex A - NMSD)

The DPG provides fiscal guidance at the Total Obligational Authority (TOA) level for each of the services and defense agencies for the next six years. The fiscal guidance provides the overall constraint within which the services must construct programs. As such, the DPG is the yardstick by which the services make programming and budgeting decisions. Services develop their program proposals in accordance with the DPG while OSD and the Joint Staff use it as the baseline for program review.

As issues arise during the development of the Defense Planning Guidance, they are brought forward and discussed with the Defense Planning and Resource Board (DPRB). The DPRB is a very high level committee that is active in all three phases of PPBS. The functions of the DPRB are:

- Review proposed Defense Planning Guidance

- Resolve major program and budget issues
- Advise SECDEF on policy, planning, programming and budget issues and proposed decisions
- Direct evaluations/reviews/studies of high priority programs and issues on a regular basis

The Defense Planning and Resource Board membership is comprised of:

- DEPSECDEF (Chairman)
- Service Secretaries
- USD (Policy)
- USD (Acquisition)
- Chairman of the Joint Chiefs of Staff
- ASD (Program Analysis & Evaluation)
- DOD Comptroller
- Service chiefs, CINCs, and other leadership invited as appropriate
- Executive Secretary: Special Assistant to DEPSECDEF

Once developed, the draft Defense Planning Guidance is presented to the Secretary of Defense and to the CINCs of the unified commands. The CINCs have an opportunity to comment on the draft DPG and personally meet with the SECDEF and the Defense Planning and Resource Board to discuss their views and recommendations. After considering their advice, the SECDEF makes necessary changes and signs the document. The signed Defense Planning Guidance is the final product of

the planning phase of PPBS and the basis for the programming phase.

In summary, the Defense Planning Guidance contains the collective work of the Secretary of Defense, JCS, the services, and the President. The Defense Planning Guidance is the basis for the services to prepare their Program Objectives Memoranda (POMs). While defense planning is continuous and iterative, DPG freezes planning to enable construction of POMs. DPG contains fiscal guidance in the form of Total Obligational Authority (TOA) for each service, but does not limit funding for specific programs. The DPG is perhaps the most important document in the DOD budget process, for it provides the basic rationale and justification for DOD's programs and budgets, and contains the TOA limits for each service.

F. PROGRAMMING PHASE

1. What is Navy Programming?

Programming is the process by which information in the Defense Planning Guidance is translated into a financial plan of effective and achievable programs. During the programming phase, resources are allocated within the Department of the Navy based on (1) an assessment of warfare requirements, (2) consensus of high level personnel within DON, and (3) guidance by plans and policy decisions. Programming produces a mid-range plan for the Department of the Navy through development

of a **Program Objectives Memorandum (POM)** and a **Future Years Defense Program (FYDP)**.

2. Programming Documents

The programming phase results in the development of a document called the Program Objectives Memorandum, or POM. Two other documents play a large part during this phase as well. They are called the Future Years Defense Program (FYDP), and the Resource Allocation Display (RAD). Although these documents are referred to as separate documents, they actually overlap one another in content.

a. Program Objectives Memorandum (POM)

The POM is the Secretary of the Navy's annual recommendation to the Secretary of Defense for the detailed application of Department of the Navy resources. The POM contains information on the Navy programs planned for a six year period. It covers the objectives, planned activities, and estimated cost of each program. The first two years of the POM will later be changed into the budget that is submitted to Congress.

During the programming phase, information on current and proposed programs is compiled in the POM and reviewed thoroughly. Part of this review is an assessment of risks and an evaluation of the military advantages and disadvantages of each alternative that has been proposed to meet the risk.

Commands and field activities update their program plans to reflect changing international and national situations, OSD guidance, and technological developments. The Navy programs are often rebalanced, or changed. The POM has fiscal constraints, but sponsors can rebalance programs within the total available resources to create a more balanced program.

The POM highlights the first two years of the six years of new data it contains. For example, the information in POM 94-95 (referred to as POM 94) will be used as the basis for the 94-95 budget. Also shown in POM 94-95 are the prior year (PY) and current budget years (CY) (92-93) and the next four years (96, 97, 98, and 99).

POM 94-95 covers the following years:							
92	93	94	95	96	97	98	99
PY	CY	BY	BY+1	Next 4 years			

b. Future Years Defense Program (FYDP)

The Future Years Defense Program is the basic DOD programming document. It is a publication of the decisions that have been approved by SECDEF on the Department of Defense's program. The FYDP is an integrated and coordinated program document that displays forces, costs, manpower, procurement and construction in the approved programs. Costs of programs are displayed for an eight year period, while

force levels (such as aircraft inventories) are displayed for a total of eleven years. The FYDP is constructed to portray data in two ways: (1) by major force program for DOD review, and (2) by appropriation for congressional review. It is updated several times during the biennial budget cycle.

The FYDP for the 94-95 budget covers the following:										
92	93	94	95	96	97	98	99	00	01	02
<u>PY</u>	<u>CY</u>	<u>BY</u>	<u>BY+1</u>	<u>+ 4 YEARS</u>				<u>+ 3 YEARS</u>		
								(forces only)		

c. Resource Allocation Display (RAD)

The Resource Allocation Display (RAD) is a computerized spreadsheet display showing the allocation of Navy resources according to:

- Resource Sponsor
- Claimant
- Program Element
- Appropriation
- Naval Warfare Task
- Line item (for procurement purposes) or activity group (for O&M,N)

The RAD is updated many times during the programming phase and reflects the most current FYDP data. The final RAD is the Navy POM as it is submitted to the Office of the Secretary of Defense. Figure 3 displays the relationship between the FYDP and the RAD.

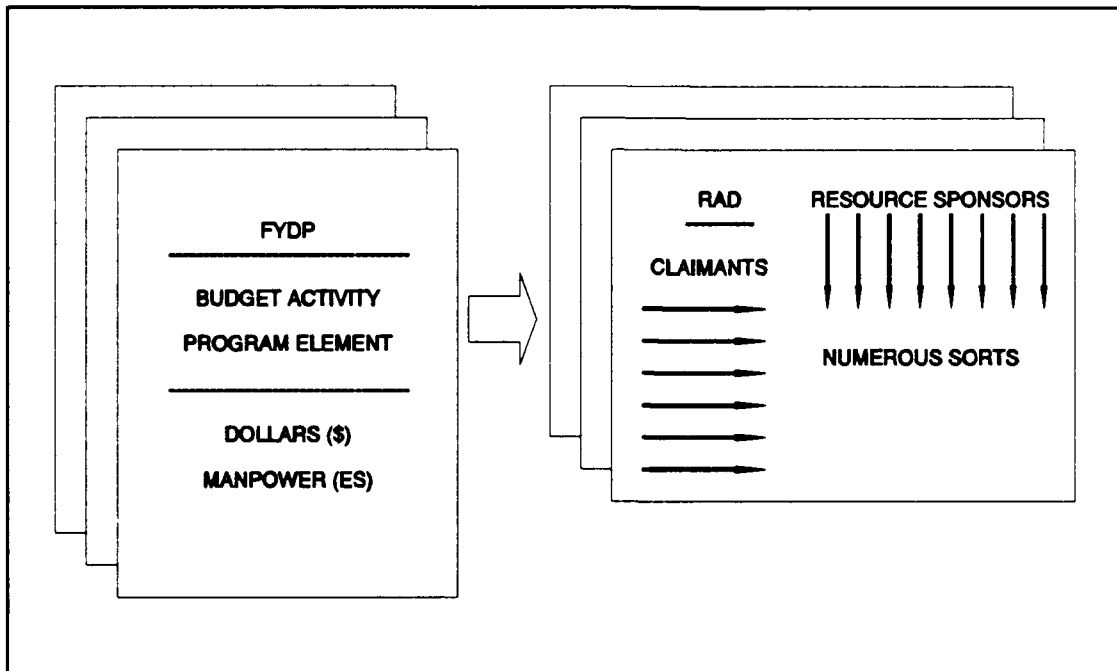


Figure 3 Resource Allocation Display

3. Programming Phases

There are four subphases within the programming phase.

They are:

- Program Appraisal
- POM Development
- POM Delivery
- OSD Program Review

The programming subphases translate planning forces and fiscal guidance into achievable programs. Programmers start with the program years (the last four years of the previous POM cycle) and revise and update past estimates rather than developing programs from scratch.

a. Program Appraisal

Program Appraisal primarily serves to appraise warfare and support programs and to assess the state of the Navy. The Program Appraisal phase is summarized in Figure 4. Each of the various components will be discussed.

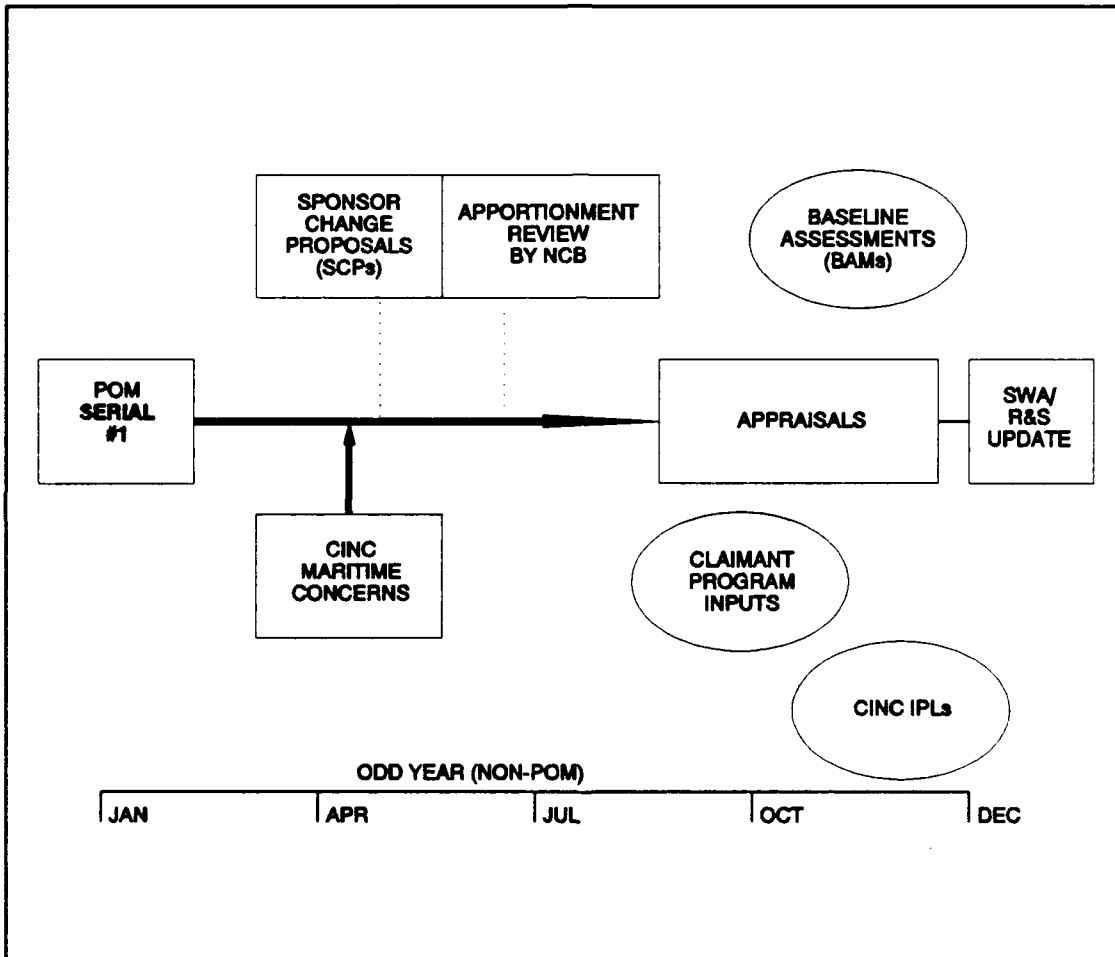


Figure 4 Program Appraisal

The programming process begins with the issuance of **POM Serial One**. The POM Serial is a series of memos from OP-80, the Director, Navy Program Planning within the Office of the Chief of Naval Operations to all offices participating in

the development of the POM. It contains detailed instructions on how to complete the programming phase.

POM Serial One provides structure and guidance for the POM development process. It assigns responsibilities to various offices and gives instructions and a schedule for the phase, beginning with program appraisal.

POM Serials are issued throughout the programming phase as situations change. Each one is numbered consecutively so that everyone knows which information is the most current.

CINC Maritime Concerns provides the Unified Commanders (CINCLANT, CINCPAC, CINCEUR, etc.) an opportunity to address top maritime issues. CINCs review threats and the ability of the fleets to deal with that threat based on operational experience and assessments. Particular emphasis is placed on changes to the threat since the last program review. Issues addressed are often requested by the CNO. This stage of the Program Appraisal phase allows an off-year preview of priority concerns.

Sponsor Change Proposals (SCPs) offer Resource Sponsors (OP-02, OP-03, OP-05, etc.) a relook at the second year of the President's Budget. Programs are evaluated in light of changes since the POM review. Sponsors may propose adjustments to their respective programs and incorporate changes in the President's budget submission.

Apportionment Review is a NAVCOMPT review of current and prior year budget execution. The Apportionment Review includes approved Sponsor Change Proposals. This review preceeds on-year and off-year budget preparation.

Appraisals constitute a significant part of this phase. Appraisals provide an overview of the current defense plan. Appraisals range from a review of the basic Navy maritime strategy and warfighting capabilities to the condition of the Navy shore establishment. Appraisals are conducted in four broad areas:

- Maritime Strategy
- Functional Area Appraisals
- Naval Warfare Appraisals
- Baseline Area Appraisals

The Maritime Strategy appraisal evaluates the broad naval strategy on which the subsequent functional area and naval warfare appraisals will be based. It presents the planned wartime employment of maritime forces as derived from planning by the CJCS and by the unified and specified commanders. This appraisal is designed to provide the entire Navy programming community, through the medium of the Program Development Review Committee (PDRC), with the underlying naval strategy and its objectives.

The Maritime Strategy appraisal does not provide the resource sponsors with specific programmatic guidance but

rather serves as the broad strategic guidance and the corporate view of Naval posture and deployments over the POM period. It ensures that all of the participants in the development of Navy programs are fully aware of that overall Navy direction. This appraisal, therefore, serves as background for developing and reviewing all Navy program proposals.

The Maritime Strategy appraisal is prepared by the Deputy Chief of Naval Operations for Plans, Policy and Operations (OP-06). OP-06 also prepares the appraisal of Theater Nuclear Warfare, involving the development and employment of tactical nuclear weapons, and the Total Force appraisal, which focuses on the capabilities of the integrated reserve and active forces in the complete spectrum of naval force requirements.

Functional Area Appraisals address the current status of resources in the following broad function areas:

- Manpower, Personnel and Training
- Research, Development and Acquisition
- Readiness and Sustainability

Typically, these appraisals are based on the program and budget levels contained in the annual Navy budget submission to OSD for the previous year. They develop issues based on that level of resources and identify program and policy concerns.

Navy Warfare appraisals cover the full spectrum of naval warfare, such as Antisubmarine Warfare (ASW), Strike/Antisurface Warfare (ASUW), and Tactical Command, Control, and Communications (C³). Each of these warfare areas is addressed in terms of its operational and technological status, with special attention to problems that have emerged since the last program review. Key issues for each warfare area are developed and discussed, and possible solutions are set forth, including their resource implications. At the conclusion of the individual warfare area appraisals, OP-07 presents (1) a **Summary Warfare/Readiness & Sustainability Appraisal** that brings together the major themes emerging from the individual categories and (2) a summary evaluation of the overall status of naval warfare. The appraisal identifies alternative solutions to meeting requirements, including the associated resources, and suggests priorities among the alternatives to be followed in programming so as to satisfy the higher priority needs within probable fiscal constraints.

Baseline Area appraisals are assessments of certain subjects selected by the CNO to be reviewed as part of the POM cycle. These are special appraisals designated to provide an in-depth review of selected areas, such as special warfare programs, or space programs.

In summary, appraisals provide an overview of the current defense plan, and evaluate the state of the Navy's warfare and support capabilities. Also evaluated are impacts

of budget changes and alternative ways of doing business. Finally, priorities are developed for the programming phase of the PPBS process.

Claimant Program Inputs provide major claimants, such as CINCLANTFLT, NAVAIR, and NAVFAC, the opportunity to submit issues relevant to day-to-day operations. Although most routine issues are accommodated within the claimants cognizance, from time to time issues arise that: (1) are beyond the capability of the claimant to resolve, (2) are issues that have implications for many Navy programs, or (3) are of such magnitude that they will have a significant effect on the total Navy program. For such problem areas, each claimant may identify 25 prioritized issues. The issues, which must be accompanied by program/financial offsets, are forwarded to OP-80, who distributes them to the appropriate resource sponsors for consideration and disposition.

Baseline Assessments provide resource sponsors with baseline costs for projected force levels. These assessments address programs which cut across several resource sponsors, and are issued in the form of an Baseline Assessment Memorandum.

CINC Integrated Priority Lists (IPLs) provide CINCs with a process to submit prioritized issues to the programming phase. These issues are submitted via the appropriate Navy component command. CINCs are not limited as to the number of issues that can be submitted, nor are they required to

identify offsets, as the claimants are. The concerns addressed by the CINCs must be answered in the POM, and sponsors must identify action taken on each issue.

b. POM Development

The POM Development phase, shown in Figure 5, begins after the Defense Planning Guidance has been published by the Secretary of Defense. This initiates further program and policy guidance within the Department of the Navy. The **DON Consolidated Planning and Programming Guidance (DNCPPG)** provides SECNAV guidance on policy and high interest items to resource sponsors and the Commandant of the Marine Corps. The CNO develops and provides further technical guidance for POM preparation.

Fiscal Guidance in the programming phase begins with a "topline" allocation by SECDEF to the services and DOD agencies. The topline allocations provide dollar controls for each of the six years in the POM. The Department of the Navy's allocation is then suballocated into a blue/green split, providing the Navy and the Marine Corps with resources for programming. The Navy's share is further allocated among resource sponsors.

The **Sponsor Program Proposals (SPPs)** represent the major initial proposals for the Navy's Program Objectives Memorandum. Resource sponsors use the latest guidance and information on program changes to adjust and update their

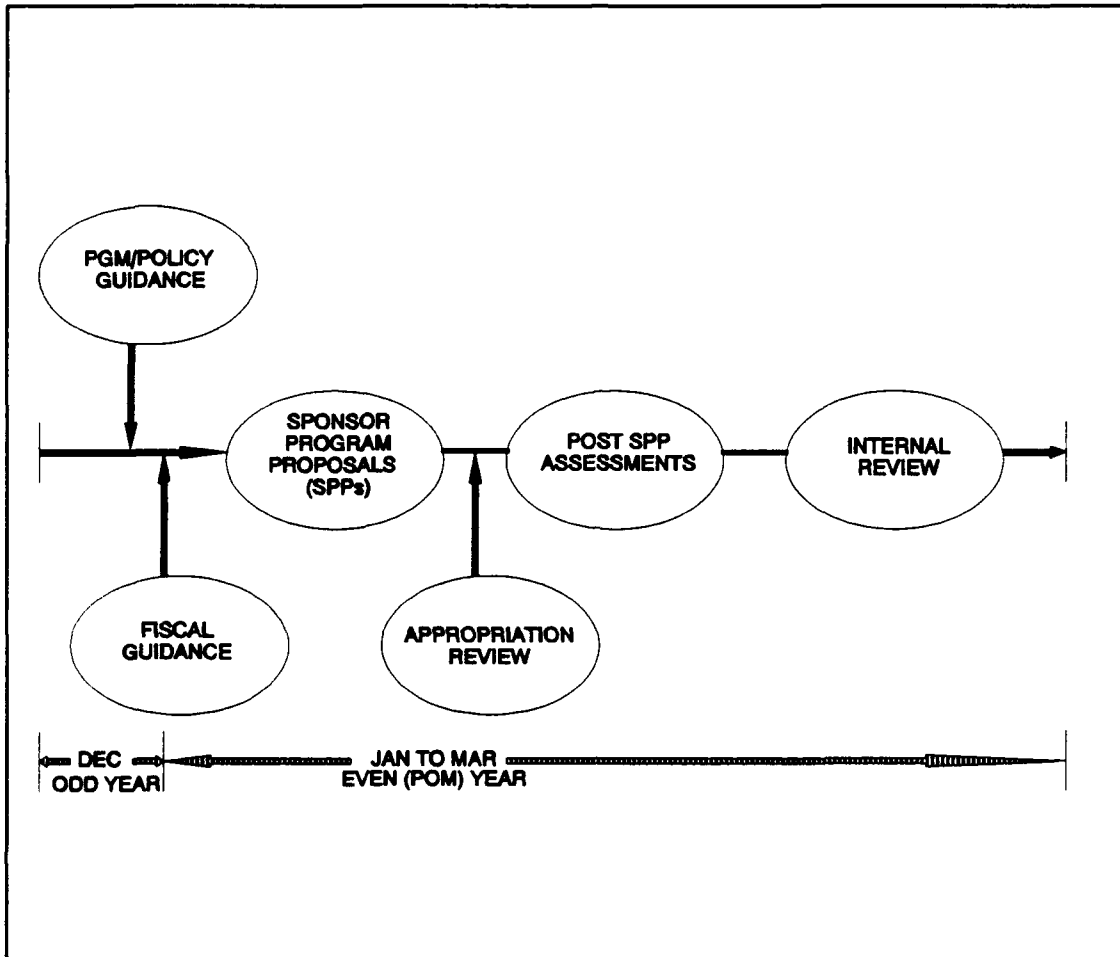


Figure 5 POM Development

programs. These adjustments result in Sponsor Program Proposals and a series of presentations in which resource sponsors present their proposals. The resource sponsors use the following information as the basis for their SPP updates:

- BAM
- PGM/Policy Guidance
- Fiscal and manpower controls
- Required fact-of-life changes
- Pricing changes

- Unified CINCs/component commanders Issue Papers
- Assessment sponsor issues

After the SPP update, each sponsor presents his SPP to the Program Development Review Committee (PDRC). The presentation and accompanying documentation covers the following:

- major changes in the sponsor's programs
- information on compliance with the DNCPPG and other program and policy guidance
- results of baseline review of all appropriations
- disposition of Baseline Assessment and Appraisal recommendations
- major program issues that have been addressed
- unresolved issues

Sponsor Program Proposal Documents (SPPDs) are developed by the resource sponsors documenting their presentations. These documents are reviewed by claimants to ensure that their concerns have been addressed. If not, the claimants may pursue further changes during the **end game**, discussed later.

An **Appropriation Review** is conducted as part of the POM Development phase. Until this point, all fiscal issues focused on resource allocation among resource sponsors. The Appropriation Review examines resource allocation by appropriation, and establishes supervisory control over

individual appropriations. Figure 6 displays control over appropriations.

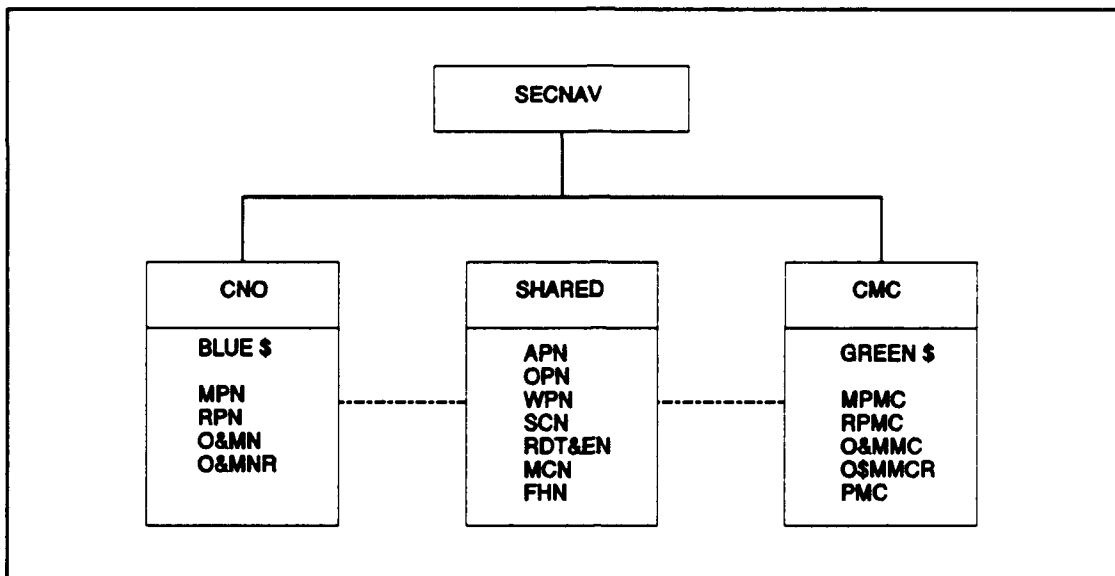


Figure 6 Appropriation Review

Following the SPPs, designated resource sponsors prepare **Post SPP Assessments**. These are written reports that provide an evaluation of programs as proposed in SPPs. The reports also note resource sponsor compliance with Baseline Assessment Memoranda (BAMs). The Post SSP Assessment provides input for the "end game" decisions that occur during POM Delivery.

Considerable **Internal Review** occurs at the end of the POM Development stage of the programming phase. The first such review is conducted by the **Program Development Review Committee (PDRC)**. The PDRC consists of flag-rank (two-star) representatives from each of the DCNOs, ACNOs, and major staff offices serving the Chief of Naval Operations, as well as

representatives from the Secretariat. The PDRC is chaired by the Director, General Planning and Programming Division (OP-80), and constitutes the first sounding board for the SPPs, mentioned above. The sponsors present their proposals in the form of briefings to the committee. Comments on the SPPs are then provided to the sponsors by the committee members. This first presentation gives the OPNAV staff the opportunity to evaluate the proposals and to observe the extent to which their previous comments and suggestions made during the appraisal and assessment phases have been dealt with appropriately.

The final Navy staff review board is the **CNO Executive Board (CEB)**, chaired by the Chief of Naval Operations. At this review, the CNO is presented with the staff versions of the SPPs and with recommendations from the overall POM reviewers - the Deputy Chief of Naval Operations, Navy Program Planning (OP-08) and the Deputy Chief of Naval Operations, Naval Warfare (OP-07) - who are striving for balance and coherence across all of the SPPs. On the basis of this final Navy review, the Navy POM is assembled for presentation to the Secretary of the Navy for his review and approval. The formal CEB meetings have recently been replaced by informal meetings of the same staff organization plus the Vice Chief of Naval Operations. Figure 7 shows the relationship among PPBS managers.

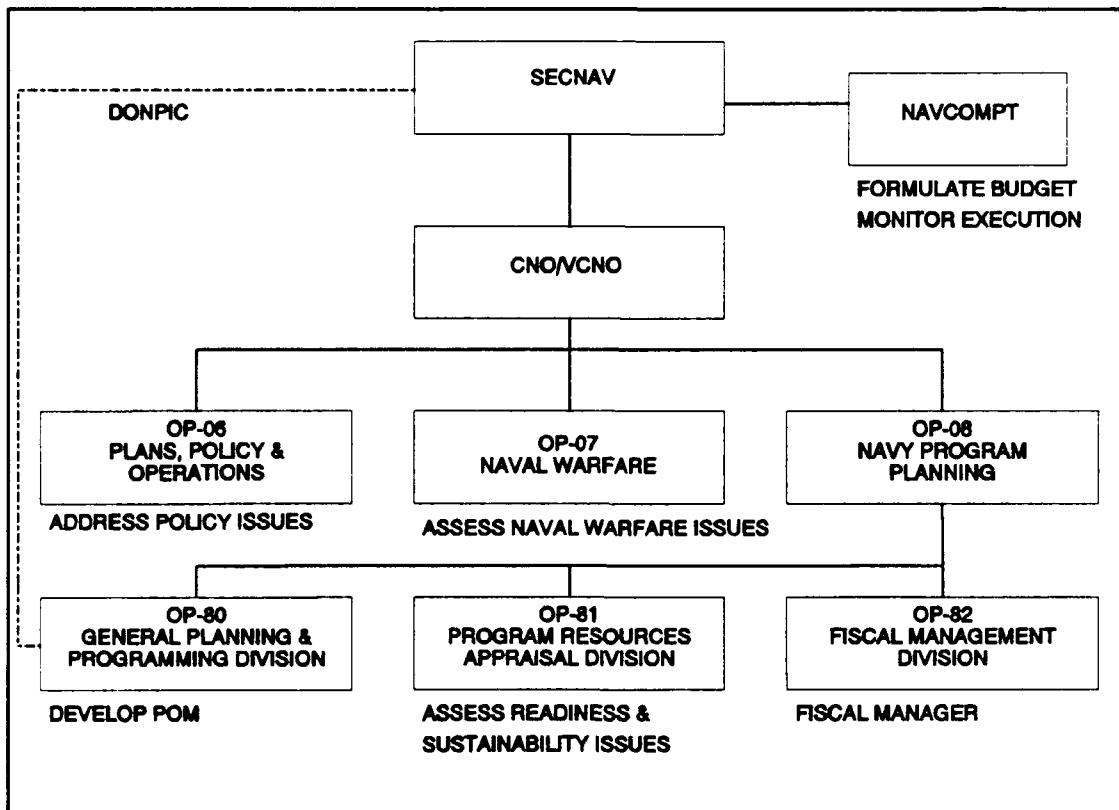


Figure 7 PPBS Managers

c. POM Delivery

The **POM Delivery** phase is also referred to as "end game" because during these last, critical months the POM is finished. The main activity during the POM Delivery phase is a series of meetings of the **DON Program Strategy Board (DPSB)**. The purpose of the meetings is to review the POM and to resolve remaining program issues. Figure 8 displays the POM Delivery phase.

The **DON Program Strategy Board (DPSB)** is presided over by the Secretary of the Navy, with participation by the Chief of Naval Operations, the Commandant of the Marine Corps,

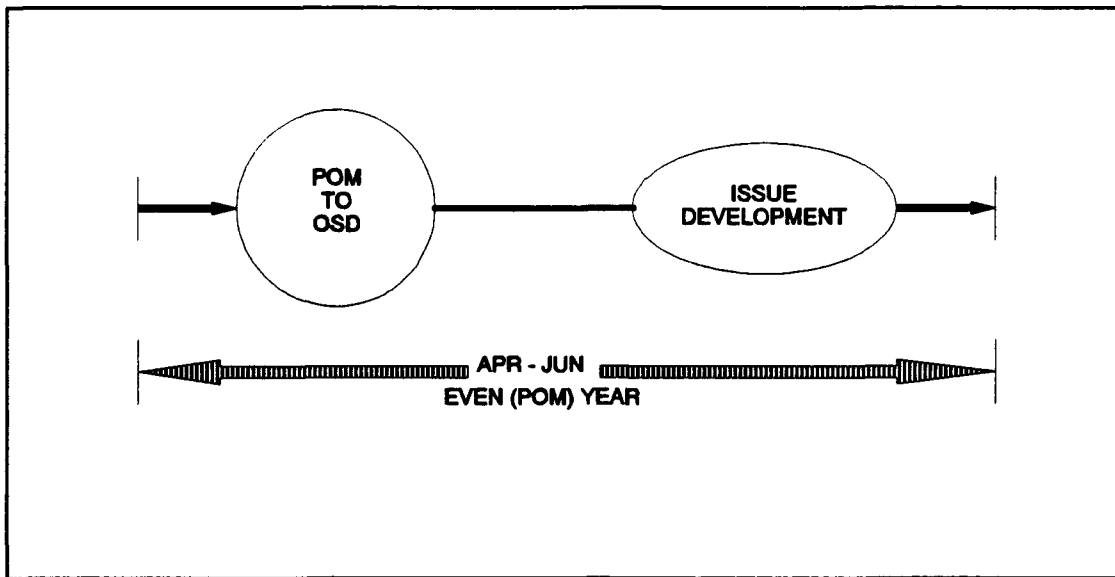


Figure 8 POM Delivery

and the Assistant Secretary of the Navy. This board considers overall Department of the Navy strategy and balance in light of the Navy and Marine Corps individual POMs. It brings a departmental perspective to the DON POM before it is submitted to the Secretary of Defense. Historically, the POM has been reviewed against the following four pillars:

- Force Structure
- Modernization
- Sustainability
- Readiness

The DPSB considers overall program balance, force structure implications, CINC inputs, and cross-service program implications of the Navy and USMC POMs. Final SECNAV/CNO adjustments are made to the service POMs as necessary. Upon

completion of this review, a letter conveying the highlights of the combined Navy and Marine Corps POMs is signed by the Secretary of the Navy to transmit the DON Program Objectives Memorandum to the Secretary of Defense.

During this phase, the DON Future Years Defense Program (FYDP) and POM are physically passed to the Secretary of Defense. The documents are screened by the Assistant Secretary of Defense, Program Analysis and Evaluation (PA&E) and the CINCs for **issue development**. Issues are basically nonconcurrences between the reviewers and the POM. Issues will be considered and decided upon during the final portion of the programming phase, **OSD Program Review**.

d. OSD Program Review

The submission of the POM to the Office of the Secretary of Defense (OSD) signals the beginning of the defense program review by the OSD under the purview of the Defense Planning and Resource Board (DPRB). Figure 9 displays the OSD Program Review phase.

The review is conducted using questions, issues, and analyses provided principally by the Assistant Secretary of Defense, Program Analysis and Evaluation (PA&E). Typically, the review of the POM by the OSD staff will result in focusing on differences between the OSD staff and the services POM submission. Those differences are developed as issues for review and evaluation by the DPRB. The issues,

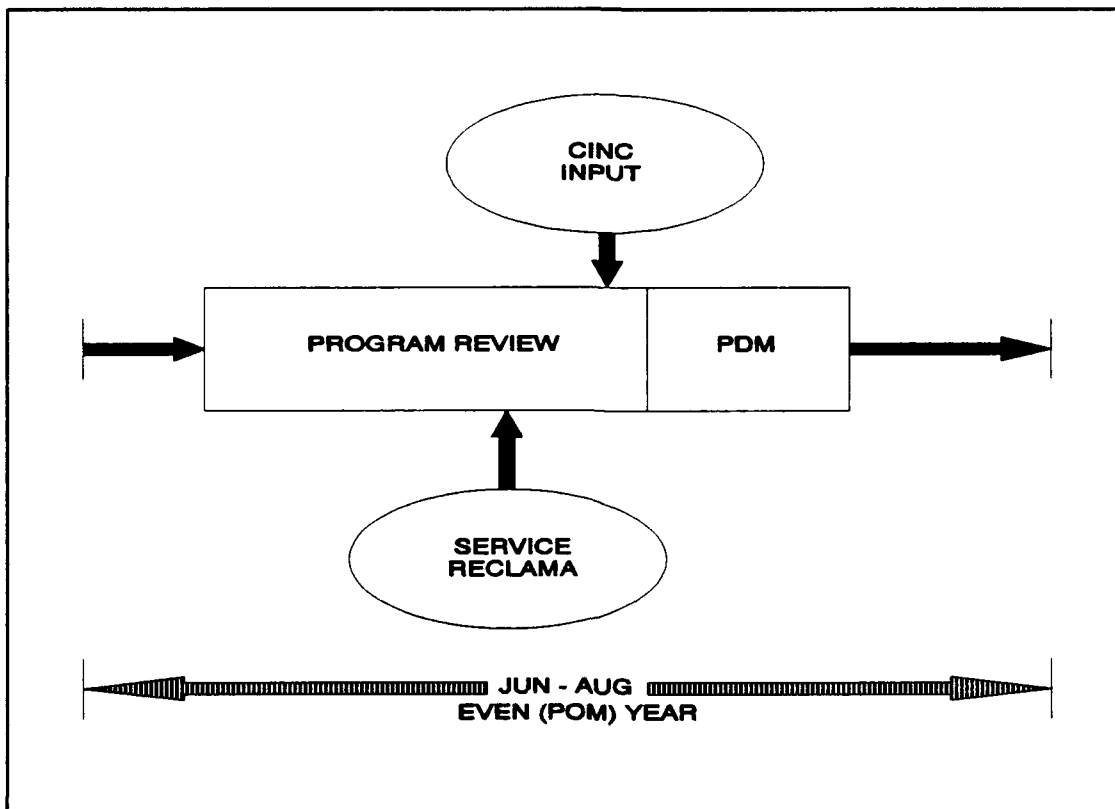


Figure 9 OSD Program Review

brought together into issue books, are formally presented to the DPRB by the PA&E staff. They reflect the service position (**reclama**), **CINC input**, and the OSD position, and include a recommendation to the DPRB. The issue book subject matter is generally categorized in the following manner:

- Policy and risk assessment
- Nuclear forces
- Conventional forces
- Modernization and investment
- Readiness and other logistics
- Manpower

- Intelligence
- Management initiatives

The DPRB considers each issue book and arrives at recommendations for the Secretary of Defense on each issue. The Secretary, after reviewing those recommendations, forwards his decisions on the POMs in the form of **Program Decision Memoranda (PDMs)** to the military departments and defense agencies, with instructions to submit their budgets in accordance with those decisions. This step represents completion of the programming phase both within the DON and the overall DOD PPB System.

In conclusion, the Programming phase of the PPBS process is a participatory process where tough decisions are made among competing programs. Resource sponsors establish priorities by funding programs. OP-07 and OP-08 oversee the DON programming process. OP-07 is concerned with a cross platform review, while OP-08 is concerned with the business base review. OP-08/NCB is concerned with the execution perspective of programming, and both OP-07 and OP-08 strive to reach overall Navy goals through balanced and cohesive programs. SECNAV has the ultimate say in programming through Program Decision Memoranda.

G. BUDGETING PHASE

Budgeting is the final phase in the Planning, Programming and Budgeting System. The budget expresses the financial requirements necessary to support approved programs which were developed during the preceeding planning and programming phases. As shown in Figure 10, it is through budgeting that planning and programming are translated into annual funding requirements.

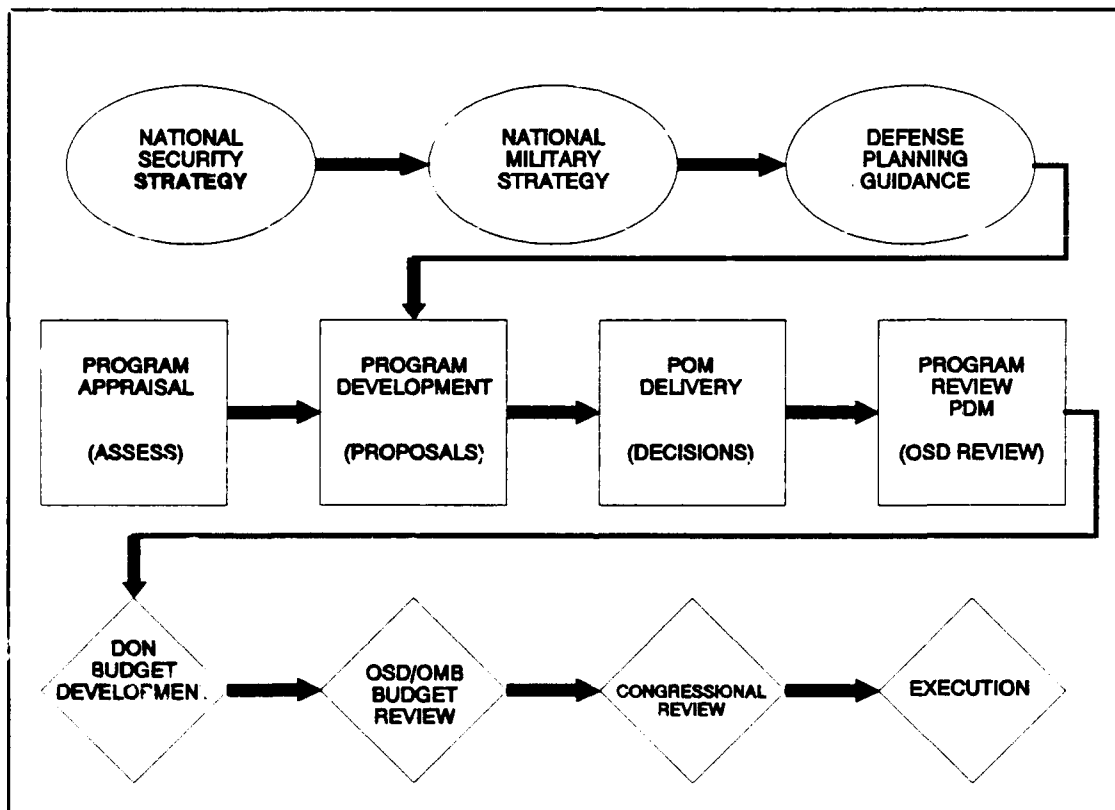


Figure 10 PPBS Milestones

The budgeting phase of PPBS consists of two major steps: budget formulation and budget presentation and review.

1. Budget Formulation

Budget formulation begins with issuance of budget guidance. Primary guidance comes from the following:

- DON Budget Guidance Manual - NAVCOMPT INSTRUCTION 7102.2B of 23 April 1990. This instruction provides general guidance and policies, budget submission requirements, and appendices which contain instructions and formats for budget submissions.
- NAVCOMPT NOTICE 7111 series - These are notices that are published prior to each major budget submission. These notices supplement the DON Budget Guidance Manual.
- NAVCOMPT NOTICE 7120 series - These notices contain specific budget review schedules and related guidance.
- NAVCOMPT MANUAL, Volume 7 (Budgeting) - This volume assigns appropriation administration and financial responsibility.

Budget formulation converts the POM to a budget. Major differences between the POM and the budget are exhibited in Figure 11.

<u>POM</u>	<u>BUDGET</u>
● FOCUS ON MAJOR DON PROGRAMS	● FOCUS ON EACH DON PROGRAM
● RESOURCE SPONSORS	● BUDGET SUBMITTING OFFICES
● GROSS \$	● MORE PRECISE PRICING
● PROGRAM DECISION MEMORANDUM	● PRESIDENT'S BUDGET
● BY MISSION	● BY APPROPRIATION

Figure 11 Budget Formulation

Budget requests are prepared by **Budget Submitting Offices**. Budget Submitting Office responsibilities are as follows:

- Prepare estimates based on SECNAV programs as approved in POM
- Convert from program to appropriation category
- Apply latest contractual and pricing information
- Examine phasing of estimates
- Fix shortfalls and problems in POM
- Develop and submit budget exhibits

As shown above, the Budget Submitting Office must convert from program to appropriation category. For example, Strategic Forces (mission category) contains the Trident Missile program. This program is supported by numerous appropriations that various Budget Submitting Offices must budget for. The appropriations for the Trident Missile program include:

- Operation & Maintenance (OMN) - maintenance, fuel
- Shipbuilding and Conversion (SCN) - submarine construction
- Weapons Procurement (WPN) - missile procurement
- Other Procurement (OPN) - training equipment
- Research & Development (RDT&EN) - design and test system improvements
- Military Construction (MCON) - construct new facilities at Bangor and Kings Bay

2. Budget Presentation and Review

After budgets are prepared by Budget Submitting Offices, two reviews occur: (1) DON review, and (2) joint OSD/OMB review.

a. DON Review

The goals of the DON Budget review process are twofold:

1. Develop most defensible/executable budget possible by ensuring:

- best pricing
- best schedule
- strong budget justification
- requirement for fund availability during budget fiscal year
- dollar and manpower balance
- timely execution of funds
- consistency

2. Accomodate changes driven by:

- congressional reductions
- Program Decision Memoranda
- OMB and OSD fiscal guidance

The DON budget review cycle is shown below in Figure 12.

• BUDGET GUIDANCE IS ISSUED	APRIL/MAY
• EXHIBITS ARE PREPARED AND SUBMITTED	MAY/JULY
• EXHIBITS ARE REVIEWED AND ANALYZED	JULY/AUGUST
• HEARINGS ARE CONDUCTED	JULY/AUGUST
• MARKS (ADJUSTMENTS) ARE RECOMMENDED	JULY/AUGUST
• RECLAMAS (APPEALS) ARE SUBMITTED AND REVIEWED	JULY/AUGUST
• DECISIONS ARE MADE	AUGUST
• MEETINGS ARE HELD TO RESOLVE OUTSTANDING ISSUES	AUGUST
• SECNAV PRESENTATION	AUGUST
• APPROVED BUDGET IS SUBMITTED TO NEXT LEVEL	SEPTEMBER

Figure 12 DON Budget Review Cycle

b. OSD/OMB Budget Review

Once budget estimates are prepared by the services and forwarded to the Secretary of Defense, the OSD/OMB budget review cycle begins, shown in Figure 13. SECDEF holds a series of budget hearings jointly with OMB on the DOD component requests. These hearings are used by SECDEF to formulate his Program Budget Decisions (PBDs) and Defense Resource Management Decisions (DRMDs).

• BUDGET GUIDANCE IS ISSUED	AUGUST
• EXHIBITS ARE PREPARED AND SUBMITTED	SEPTEMBER
• EXHIBITS ARE REVIEWED AND ANALYZED	SEPTEMBER/OCTOBER
• HEARINGS ARE CONDUCTED	SEPTEMBER/OCTOBER
• PBO'S/DMRD'S (ADJUSTMENTS) ARE RECOMMENDED	OCTOBER/DECEMBER
• RECLAMAS (APPEALS) ARE SUBMITTED AND REVIEWED	OCTOBER/DECEMBER
• DECISIONS ARE MADE	NOVEMBER/DECEMBER
• MEETINGS ARE HELD TO RESOLVE OUTSTANDING ISSUES	NOVEMBER/DECEMBER
• SECDEF DISCUSSION WITH PRESIDENT	DECEMBER
• APPROVED BUDGET IS SUBMITTED TO NEXT LEVEL	FEBRUARY

Figure 13 OSD/OMB Budget Review Cycle

Defense Resource Management Decisions seek to achieve economies and efficiencies by management reform. There have been three main types of DRMDs:

- Changes in business practices (Defense Business Operations Fund - DBOF)
- Consolidation efforts (Supply Centers, Commissaries, Correctional Facilities)
- Changes in management practices (reduction in SECNAV staff)

These decisions appear much like a Program Budget Decision. This is a relatively new practice within DOD that will become more prevalent as defense resources become scarce.

In previous years, appeals to OSD budget adjustments were made by means of reclamation similar to those used to appeal DON marks. Recently, however, there has been little established policy regarding this. In the past four years OSD has variously allowed reclamation, forbidden reclamation, and allowed memorandum responses to adjustments. During the most recent budget cycle, OSD circulated draft PBDs/DMRDs to the services and DON provided comments on these drafts by means of memorandum. Expect this system to continue.

The budgeting phase is completed when the President sends his budget (with DOD input) to Congress in February. The delivery of the budget to Congress represents not only the end of the DOD Planning, Programming and Budgeting System (PPBS), but also the end of the first phase of the federal budget process, described in Chapter II of this thesis.

IV. WRITING A POM ISSUE PAPER

A. WHAT IS A POM ISSUE PAPER?

Program Objectives Memorandum (POM) Issue Papers offer commands a formal opportunity to provide input to the POM. Issue Papers, submitted by claimants and component commanders to resource sponsors for consideration, document five or more issues or requests for changes in programs. For each issue, they indicate the priority of the issue and the offsets from lower priority programs and/or economies associated with their recommendations. Many commands identify and develop issues by soliciting issues from their field activities to improve the content and quality of the issues.

A POM Issue Paper is designed to identify and define a specific issue (concern) and quantify the resources required to alleviate the concern. Your job when preparing an issue paper is to convince sponsors that the program or project you are proposing will provide sufficient benefits to justify its cost. Therefore it is important that you thoroughly document the following:

- The background of the issue (the need that the program/project will address)
- The anticipated cost of the program/project with respect to the Future Years Defense Program

- The benefits of the program/project to the command or field activity
- How much money and resources the the program/project is expected to save the Navy

B. POM ISSUE PAPER FORMAT

A POM Issue Paper is completed according to a standard format. it consists of a heading containing the basic information (i.e., title, date, originator, etc.) and a narrative section with the following headings:

- Issue
- Background
- Alternatives
- Evaluation of alternatives
- Funding relative to the FYDP
- Offsets/economies
- Manpower implications

A Resource Detail Sheet is attached to the issue paper, containing a breakdown of funds by pay, travel, contracts, and other.

1. Issues

The issue statement should be a single sentence which clearly describes the issue or purpose of the paper. Ideally, it will be built around an action verb (e.g., "**Obtain** missile launchers," "**Update** radar units").

2. Background

The background will be a brief (one or two paragraph) description of the facts surrounding the issue, including reasons for the proposal, an explanation of the need that the proposed program or project will address, and projected benefits to the claimant.

3. Alternatives

Always include at least three alternatives: (1) the situation as it currently exists (status quo), (2) the proposed program/project if approved as requested, and (3) at least one compromise program/project reflecting partial funding. These three alternatives basically describe what you currently have, what you want, and what you can live with. Each alternative will be a single sentence, prefaced with the alternative number. For example:

- ALT I. Continue using existing widgets aboard all ships.
- ALT II. Install new model widgets on all ships within the next two years.
- ALT III. Install new model widgets on ships as they return to port for maintenance.

Make sure that each alternative presented is feasible, and consistent with policy.

4. Evaluation of Alternatives

This is a brief discussion of the impact of selecting (or not selecting) each of the alternatives listed above. You

can use this section to give a more detailed explanation of the benefits of the program/project than is given in the **Background** section.

5. Funding Relative to the FYDP

This will be a table showing the total funding/manpower changes required for each fiscal year for **each alternative**. In this section:

- Alternative I should show no change.
- Other alternatives may show increases, decreases, or no change. Figures will be shown in **total deltas** (e.g., the amounts **more** or **less** than current figures, shown as a + or - figure).
- Manpower numbers should be expressed in units; dollars should be expressed in even thousands (e.g., \$2,984,000 would be 2984).
- Since a POM Issue Paper addresses programs that won't take effect for two years, alternatives should not address current year and budget year.
- If funds will come from more than one appropriation, each appropriation should be shown separately, along with the total amount.

6. Offsets/Economies

In this section you should describe offsets (savings) that are likely to result if the program/project is approved. This section differs from the **Background** and **Evaluation of Alternatives** sections in that it is more specific in detailing the monetary impact of the proposed program/project. An economic analysis is done and specific dollar or manhour savings are specified where appropriate.

7. Manpower Implications

Specify any increases or decreases in manpower that will result from each alternative when applicable. Express figures in aggregate amount by type (e.g., 10 officers, 100 enlisted, 10 civilians).

C. GENERAL PRACTICAL POINTS

- A POM Issue Paper should be about two to three pages long. It must be long enough to thoroughly describe the issue, but not so long that it overwhelms those who have to read it.
- The writing should be strong. Avoid terms like "it is believed," "probably," or "it is anticipated."
- If you do not know the dates by which actions must be done, establish them and develop a resource picture to meet those dates.
- POM is not the time to introduce a bright new idea. PPBS must function sequentially, and planning should precede programming.
- Do not write an issue paper specifically to recover a prior cut, unless there is a clear acknowledgement of an error inside the Navy. It is better to argue the worth of the program itself.
- POM addresses out years only. The current year and budget year should not be considered. Thus current problems to be solved in present timeframes are not appropriate for POM Issue Papers. If an out-year issue has budget year funding implications, these should be addressed. However, the likelihood of obtaining funding for these shortfalls is remote.
- Alternatives, such as contracting out and overtime, should always be considered in lieu of end strength.
- Everything in the PPB System is done on a fiscal year basis. Know the program in fiscal year terms.

- Consider out-year implications. A developmental project will only have had resources in the out-years in unusual circumstances. Peak implementation years, drawdown after conversion or dual operation, etc., should be visible in out-year funding.
- Consider new starts in the far out-years. Normally POM sponsors fight hard for POM-year resources, but the end FYDP cycle year resources are much more freely available.
- Coordinate issues internally, especially interfaces with other components.
- Know your base. Don't request resources which are already there.
- Work hard on a one or two sentence summary. Issues get labeled in the review process. Provide a label you want in the title or initial discussion - one that summarizes the issue adequately.

D. POM ISSUE PAPER STANDARDS

A good POM Issue Paper should meet these standards:

- It should be consistent with your activity's goals and stated program plan.
- The funding requested for the program should be adequate to achieve the stated program goals.
- Funding should be requested from the correct appropriation.
- All computations should be done correctly and accurately.
- All approvals required by the appropriation should have been obtained.
- All expenses (e.g., average salary, benefits rate, inflation) should be computed at the proper rates.
- All sections of the issue paper should be filled out completely and correctly.
- The information that is presented should be sufficient to justify the request.

- The program/project described in the issue paper should be feasible and reasonable.
- The narratives should be clear, specific, concise, and free of unnecessary jargon.
- The "issue" statement should be a single, clear sentence which accurately reflects the proposal's goals.
- The "background" statement should contain only that information necessary to clearly identify the problem addressed by the issue paper and present relevant data which support the program/project.
- Each alternative presented should be feasible, logical, defensible, and consistent with policy.

The PPBS player who pays attention to these suggestions will be more successful in the resource allocation process.

V. CONCLUSIONS

A. STUDY FINDINGS

The results of this study indicate that the ability of the station comptroller and military financial manager to understand and work within the regulations and procedures established as part of the federal budget process and Department of the Navy Planning, Programming, and Budgeting System will be crucial to continued mission accomplishment for the Navy in the 1990s and beyond.

The current comptroller training offered at Naval Postgraduate School addresses these issues, but much of the information presented is obsolete. It is therefore suggested that Chapters II through IV of this thesis be adopted as revisions to the Practical Comptrollership Course.

B. FURTHER STUDIES

This thesis is the result of numerous interviews with a wide variety of staff offices from the planning, programming, and budgeting field. It is not intended to be considered an exhaustive reference, but to provide a basic understanding of the federal budget process and the Department of the Navy Planning, Programming, and Budgeting System to station comptrollers and military financial managers.

There are doubtless other important lessons to be learned for the efficient and effective allocation of resources in support of national security. It is hoped that the improved understanding promoted by this work will allow these lessons to be more quickly learned and applied.

APPENDIX A: GLOSSARY

Appropriation An act of Congress that allows federal agencies to incur obligations and make payments from the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorization.

Authorization An act of Congress that establishes or continues a federal program or agency either for a specified period of time or indefinitely; specifies its general goals and conduct; and usually sets a ceiling on the amount of budget authority that can be provided in an annual appropriation. An authorization for an agency or program is usually required before an appropriation for that same agency or program can be passed.

Baseline A baseline is a projection of the federal revenues and spending that will occur under certain specified assumptions. This is not a forecast of a future budget, only a benchmark against which proposed changes in taxes or spending can be measured. The Budget Enforcement Act of 1990 defined its baseline as "a projection of current-year levels of new budget authority, outlays, receipts and the surplus or deficit into the budget year and the outyears based on laws enacted..."

Budget authority The authority granted to a federal agency in an appropriations bill to enter into commitments that result in immediate or future spending. Budget authority is not necessarily the amount of money an agency or department actually will spend during a fiscal year but merely the upper limit on the amount of new spending commitments it can make. The three basic types of budget authority are appropriations, borrowing authority, and contract authority.

Budget year The fiscal year that starts on October 1 of the calendar year in which the current session of Congress begins. In effect, the budget year is the budget that Congress is currently working on. For example, the 104th Congress will convene in January, 1993, and will debate the fiscal 1994 budget. Fiscal 1994 begins on October, 1993, so the budget year is 1994 (see Current Year and Outyear).

Concurrent resolution on the budget Legislation passed by Congress that establishes, reaffirms, or revises the

congressional budget for a fiscal year. The congressional budget resolution is expected to pass by April 15. This resolution establishes binding figures for the aggregate levels of budget authority, outlays, revenues, and deficit or surplus, the appropriate level of the public debt, and an estimate of the budget authority and outlays for each of the budget functions. If needed, subsequent budget resolutions for a fiscal year may be adopted at any time after the passage of the April 15 resolution. A budget resolution does not require the president's signature to become effective.

Congressional budget The budget established by Congress in a concurrent resolution on the budget.

Continuing resolution Legislation enacted by Congress to provide budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations, based on the rate of the prior year, the president's budget request, or an appropriation bill passed by either or both Houses of the Congress.

Current year The current fiscal year.

Deferral An action by the president that temporarily withholds or delays the obligation or expenditure of budget authority. A deferral must be reported by the president to Congress and the comptroller general in a deferral message. A deferral may not extend beyond the end of the fiscal year in which the message reporting it is transmitted to Congress.

Deficit When annual outlays exceed annual revenues, measured by fiscal years.

Discretionary appropriations Budgetary resources provided in appropriations acts, except for those that are provided to fund direct-spending programs.

Discretionary spending limits Limits or "caps" placed on certain categories of discretionary spending. Separate caps exist for both budget authority and outlays. For fiscal 1991-1993, caps are provided for three separate categories of discretionary spending - defense, domestic, and international. For fiscal 1994-1995, the three categories will be combined into a single category that includes all discretionary spending. Any legislation that is enacted that would cause budget authority or outlays to breach the cap will trigger a sequester.

Economic assumptions Estimates of how the national economy will behave. The four main economic assumptions that affect the budget are unemployment, inflation, growth in the gross national product (GNP), and interest rates.

Emergency appropriation Discretionary appropriations for fiscal 1991-1995 that the president designates as "emergency requirements" and which are similarly designated in legislation subsequently enacted into law. Any spending designated as an emergency will result in the spending cap for that category being adjusted to accommodate the additional spending. A sequester will not, therefore, be triggered that year because of the emergency appropriation.

Entitlement Legislation that requires the payment of benefits to all who meet the eligibility requirements established in the law. Examples of entitlement programs are Social Security, Medicare, and veterans pensions.

Expenditures Actual spending, generally interchangeable with outlays.

Fiscal policy Federal policies on taxes, spending, and debt management intended to promote the nation's economic goals, particularly with respect to employment, gross national product, inflation, and balance of payments.

Fiscal year Any yearly account period. The fiscal year for the federal government begins October 1 and ends September 30. The federal fiscal year is designated by the calendar year in which it ends.

Impoundment An action by the president that prevents the obligation or expenditure of budget authority. Deferrals and rescissions are the two types of impoundments.

Look-back A new sequester created by the Budget Enforcement Act of 1990 that reduces the limit set for a particular category of discretionary spending or mandatory spending next fiscal year by the amount that the current year's limit has been exceeded. A look-back discretionary sequester can only be triggered if legislation is enacted that breaches the current year cap after June 30.

Maximum deficit amount The maximum deficit allowed for a fiscal year, as established by the Balanced Budget and Emergency Deficit Control Act of 1985, the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, and the Budget Enforcement Act of 1990.

Mid-session review of the budget An updated version of the president's original budget proposal, prepared by the Office of Management and Budget and required to be submitted to Congress by July 15. The mid-session review includes the latest information on the previous year's spending and revenue totals.

Obligated balance The amount of budget authority appropriated but not yet actually spent.

Obligational authority The total money available to an agency in a given fiscal year. Obligational authority is the sum of the budget authority newly provided in a fiscal year, the balance of budget authority from previous years that has not yet been obligated, and amounts authorized to be credited to a specific fund or account during the year, including transfers between accounts. Also referred to as **total obligational authority**.

Obligations Spending commitments by the federal government that will require outlays either immediately or in the future.

Off-budget Programs and agencies whose transactions have been excluded from the unified federal budget.

Outlays The actual amount of dollars spent for a particular activity. Total outlays in any year result from both new budget authority provided this year and from unexpended balances of budget authority provided in previous years.

Outyear Any of the fiscal years that follow the budget year, through fiscal 1995. Fiscal year 1995 is the last outyear currently recognized because that is when the spending limitation provisions of the Budget Enforcement Act of 1990 expire.

Pay-as-you-go A new enforcement mechanism created by the Budget Enforcement Act of 1990 that requires any enacted legislation that either reduces revenues or increases mandatory spending above the baseline to be offset by equal revenue increases or mandatory spending reductions. The offsets must be enacted by the date Congress adjourns, not at the time the original revenue reductions or spending increases are adopted. If a full offset is not enacted, then a pay-as-you-go sequester will be triggered fifteen days after Congress adjourns.

President's budget The proposal sent by the president to Congress each year as required by the Budget and Accounting Act of 1921, as amended.

Program An organized set of activities directed toward a common purpose or goal, undertaken by a federal agency to carry out its responsibilities.

Reconciliation The process used by Congress to force its committees to comply with the fiscal policy established in a budget resolution.

Rescission An action of the president that cancels previously appropriated budget authority. A proposed rescission must be reported to Congress and the comptroller general by the president in a rescission message. If both houses do not approve of the proposed rescission within forty-five days, the president must obligate the budget authority as it was intended by Congress.

Revenues Money collected by the federal government from duties, taxes, user fees, or premiums from social insurance programs.

Sequester and sequestration The cancellation of budgetary resources provided by discretionary appropriations or a direct spending law. The sequestration process was originally created by the Balanced Budget and Emergency Deficit Control Act of 1985 to cut spending if Congress and the president did not enact laws to reduce the projected deficit to the maximum deficit amount set for that year. Under the procedures established by the Budget Enforcement Act of 1990, a sequester will occur if a discretionary spending limit is breached, if revenues are cut below or mandatory spending increased above the baseline without offsetting changes that will eliminate any impact on the deficit, or if the deficit maximum set for the year is exceeded.

Supplemental appropriations An act appropriating funds in addition to the thirteen regular annual appropriations. Supplemental appropriations are supposed to be enacted when the need for additional funds is too urgent to be postponed until the next regular appropriation is considered, although they are often enacted for other reasons as well.

Unexpended balance The amount of budget authority previously granted to an agency but still unspent and available for future spending. The unexpended balance is equal to the sum of the obligated and unobligated balances.

Unobligated balance The amount of budget authority previously granted to an agency in an appropriation that has not yet been committed to a project and so continues to be available for future spending.

APPENDIX B: APPROPRIATIONS CONTENTS
 APPROPRIATIONS
 CONTENTS AND PLAYERS

<u>APPROPRIATION</u>	<u>WHAT'S BOUGHT</u>	<u>WHO PARTICIPATES</u>
MILITARY PERSONNEL, NAVY (MPN)	<ul style="list-style-type: none"> o PAY o ALLOWANCES o CLOTHING 	<ul style="list-style-type: none"> o APPN SPONSORS: OP-01 (BUDGET OFFICE: OP-12, x45171) o BUDGET SUBMITTING OFFICE: NMPC (BUDGET OFFICE: NMPC-7, x45664) o NAVCOMPT: NCB-141, x45527
MILITARY PERSONNEL, MARINE CORPS (MPMC)	<ul style="list-style-type: none"> o SUBSISTENCE o UNEMPLOYMENT COMPENSATION o GI BILL 	<ul style="list-style-type: none"> o APPN SPONSOR: DCS(M) (BUDGET OFFICE: MPP-40, x41464) o BUDGET SUBMITTING OFFICE: HQMC(FD) (BUDGET OFFICE: FDB-2, x45524) o NAVCOMPT: NCB-142, x45527
RESERVE PERSONNEL, NAVY	<ul style="list-style-type: none"> o RETIRED PAY ACCRUAL o TRAINING 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-095 (BUDGET OFFICE: OP-959C, x52859) o BUDGET SUBMITTING OFFICES: COMNAVRESFOR, CNET, NAVMEDCOM, NMPC o NAVCOMPT: NCB-145, x45527
RESERVE PERSONNEL, MARINE CORPS (RPMC)		<ul style="list-style-type: none"> o APPN SPONSOR: DCS(RA) (BUDGET OFFICE: RESB, x45012) o BUDGET SUBMITTING OFFICES: HQMC(FD) (BUDGET OFFICE: FDB-2, x48138) o NAVCOMPT: NCB-142, x45527

**APPROPRIATIONS
CONTENTS AND PLAYERS**

<u>APPROPRIATION</u>	<u>WHAT'S BOUGHT</u>	<u>WHO PARTICIPATES</u>
OPERATION & MAINTENANCE, NAVY (O&MN)	<ul style="list-style-type: none"> o STEAMING HOURS o SHIP OVERHAULS o AIRCRAFT MAINTENANCE o BASE OPERATING SUPPORT o MINOR MAINTENANCE OF REAL PROPERTY 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-82 (BUDGET OFFICE: OP-821, X55575) o BUDGET SUBMITTING OFFICE: VARIOUS Including: NAVAIR, AIR 804, 746-2526; NAVSEA, SEA 014, X21605; SPAWAR, SPAWAR 140, X25902, NAVSUP, SUP-012, X53911; NAVFAC, FAC-013, 325-8582 o NAVCOMPT: OPERATING FORCES, NCB-12, X71342, SUPPORT, NCB-13, X70434
OPERATION & MAINTENANCE, MARINE CORPS (O&MMC)	<ul style="list-style-type: none"> o SUPPLY SYSTEM OPS o ENGINEERING SUPPORT o EQUIPMENT MAINT. 	<ul style="list-style-type: none"> o APPN SPONSOR: DCS(I&L) (BUDGET OFFICE: LLF, X41486) o BUDGET SUBMITTING OFFICE; HQ USMC (BUDGET OFFICE: FDS-3, X42281) o NAVCOMPT: NCB-142, X45527
OPERATION & MAINTENANCE, NAVY RESERVE (O&MNR)	<ul style="list-style-type: none"> o CONTRACTOR MAINT. o FIELD LOGISTICS SUPPORT o TRAINING o CHAMPUS o RECRUITING & ADVERTISING 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-095 (BUDGET OFFICE OP-959D) o BUDGET SUBMITTING OFFICE: VARIOUS Including: NAVAIR, AIR 804, X27338; NAVSEA, SEA 014, X21605; SPAWAR, SPAWAR 140, X25905, NAVSUP, SUP-012, X53911; NAVFAC, FAC-013, X53911; LANTFLT AV 564-8136; PACFLT 808-471-3168 o NAVCOMPT: NCB-14, X45527
OPERATION & MAINTENANCE, MARINE CORPS RESERVE (O&MMCR)	<ul style="list-style-type: none"> o CIVPERS SALARIES 	<ul style="list-style-type: none"> o APPN SPONSOR: DCS(RA) (BUDGET OFFICE: FESB, X41840) o BUDGET SUBMITTING OFFICE: HQ USMC (BUDGET OFFICE: FDS-3, X42281) o NAVCOMPT: NCB-14, X45527

**APPROPRIATIONS
CONTENTS AND PLAYERS**

<u>APPROPRIATION</u>	<u>WHAT'S BOUGHT</u>	<u>WHO PARTICIPATES</u>
AIRCRAFT PROCUREMENT, NAVY (APN)	<ul style="list-style-type: none"> o AIRCRAFT o SUPPORTING PROGRAMS <ul style="list-style-type: none"> - MODIFICATIONS/INSTALLATIONS - SPARE PARTS - GROUND SUPPORT/TRAINING EQUIPMENT o INDUSTRIAL FACILITIES/TOOLS 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-05 (BUDGET OFFICE: OP-05C, x44214) o BUDGET SUBMITTING OFFICE: NAVAIR (BUDGET OFFICE: AIR-8051, x23867) o NAVCOMPT: NCB-222, x57772
WEAPONS PROCUREMENT, NAVY (WPN)	<ul style="list-style-type: none"> o MISSILES o TORPEDOES o GUNS o AIR & SHIP LAUNCHED AMMUNITION o SUPPORTING EQUIP <ul style="list-style-type: none"> - MODIFICATIONS/INSTALLATIONS - TARGETS - HARDWARE FOR SATELLITES - SPARE PARTS - GROUND SUPPORT/TRAINING EQUIPMENT - INDUSTRIAL FACILITIES/TOOLS 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-03 (BUDGET OFFICE OP-302V, x74512) o BUDGET SUBMITTING OFFICE: VARIOUS (BUDGET OFFICES: AIR-8052, x23471; SEA-013, 602-0975; SP-13, x53692; SPAVAR 01-1, 602-7425) o NAVCOMPT: NCB-222, x71592

**APPROPRIATIONS
CONTENTS AND PLAYERS**

<u>APPROPRIATION</u>	<u>WHAT'S BOUGHT</u>	<u>WHO PARTICIPATES</u>
SHIPBUILDING AND CONVERSION, NAVY (SCN)	<ul style="list-style-type: none"> o NEW SHIP CONSTRUCTION <ul style="list-style-type: none"> - INCLUDES: <ul style="list-style-type: none"> HULL/MECHANICAL/ELEC GUNS TORPEDOES/MSL LAUNCH SYS COMMUNICATIONS SYSTEMS o EXISTING SHIP CONVERSION o OUTFITTING o POST DELIVERY o COST GROWTH 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-03 (BUDGET OFFICE: OP-322, X73169) o BUDGET SUBMITTING OFFICE: NAVSEA (BUDGET OFFICE: SEA-012, X23130) o NAVCOMPT: NCB-211, X71403
OTHER PROCUREMENT, NAVY (OPN)	<ul style="list-style-type: none"> o PROCUREMENT/MODERNIZATION/ INSTALLATION OF EQUIPMENT NOT FUNDED BY OTHER APPROPRIATIONS o EXAMPLES <ul style="list-style-type: none"> - ELECTRONIC SENSORS - TRUCKS - TRAINING EQUIPMENT - SPARE PARTS - SONAR SYSTEMS - RADARS 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-82 (BUDGET OFFICE: OP-822D1, X57408) o BUDGET SUBMITTING OFFICES: VARIOUS (BUDGET OFFICES: AIR- 8052, X23471; SEA-013, 602-0975; SPA-11-1, X27425; FAC-013, 325-8582, SUP-012, X53911) o NAVCOMPT: NCB-221, X57408

APPROPRIATIONS CONTENTS AND PLAYERS

<u>APPROPRIATION</u>	<u>WHAT'S BOUGHT</u>	<u>WHO PARTICIPATES</u>
PROCUREMENT, MARINE CORPS (PMC)	<ul style="list-style-type: none"> o AMMUNITION o TRACKED COMBAT VEHICLES o WEAPONS o GROUND LAUNCHED GUIDED MISSILES o COMM/ELEC EQUIP o SUPPORT VEHICLES o ENGINEER EQUIPMENT o OTHER EQUIP FOR MARINE GENERAL PURPOSE FORCES o MODIFICATION INSTALLATION 	<ul style="list-style-type: none"> o APPN SPONSOR: DCS(I&L) (BUDGET OFFICE: LLF-3, X43663) o BUDGET SUBMITTING OFFICE: HQ USMC (BUDGET OFFICE: FDD-4, X42570) o NAVCOMPT: NCB-223, X57408
RESEARCH, DEVELOPMENT, TEST AND EVALUATION, (RDT&E,N)	<ul style="list-style-type: none"> o BASIC RESEARCH o EXPLORATORY DEVELOPMENT o ADVANCED DEVELOPMENT o ENGINEERING DEVELOPMENT o MGT AND SUPPORT o SHIP CONTRACT DESIGN o INCLUDES LEASE, AND OPERATION OF TEST FACILITIES/EQUIPMENT 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-091, (BUDGET OFFICE: OP-091M, X57633) o BUDGET SUBMITTING OFFICE: OCNR (BUDGET OFFICE: OCNR-0111, X64280) o NAVCOMPT: NCB-232, X71402

APPROPRIATIONS CONTENTS AND PLAYERS

<u>APPROPRIATION</u>	<u>WHAT'S BOUGHT</u>	<u>WHO PARTICIPATES</u>
MILITARY CONSTRUCTION NAVY (MCN)	<ul style="list-style-type: none"> o CONSTRUCTION OF MILITARY FACILITIES o LAND ACQUISITION o PLANNING AND DESIGN o MAJOR MAINTENANCE OF REAL PROPERTY 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-04 (BUDGET OFFICE: OP-04J, X54823) o BUDGET SUBMITTING OFFICE: NAVFAC (BUDGET OFFICE: FAC-013, 325-8582) o NAVCOMPT: NCB-231, X57769
MILITARY CONSTRUCTION NAVAL RESERVE (MCNR)		<ul style="list-style-type: none"> o APPN SPONSOR: OP-095 (BUDGET OFFICE: OP-959E, X77973) o BUDGET SUBMITTING OFFICE: NAVFAC (BUDGET OFFICE: FAC-013, 325-8582) o NAVCOMPT: NCB-231, X57769
FAMILY HOUSING, NAVY AND MARINE CORPS (FH,N&MC)	<ul style="list-style-type: none"> o NEW HOUSE CONSTRUCTION o HOUSING IMPROVEMENTS o OPERATION & MAINTENANCE OF EXISTING HOUSING 	<ul style="list-style-type: none"> o APPN SPONSOR: OP-04 (BUDGET OFFICE: OP-04J, X54823) o BUDGET SUBMITTING OFFICE: (NAVY) NAVFAC (BUDGET OFFICE: FAC-013, 325-8582) o BUDGET SUBMITTING OFFICE: (MARINE CORPS) NCD (BUDGET OFFICE: FDB, X45523) o NAVCOMPT: NCB-231, X57769

LIST OF REFERENCES

Books

- Collender, Stanley E. The Guide to the Federal Budget: Fiscal 1992. The Urban Institute, Washington, D.C., 1991, pp 16-34.
- Schick, Allen. Congress and Money. The Urban Institute, Washington, D.C., 1980, p 23.
- Schick, Allen. Reconciliation and the Congressional Budget Process. American Enterprise Institute, Washington, D.C., 1981, p 78.
- Schick, Allen. The Capacity to Budget. The Urban Institute, Washington, D.C., 1990, p 80.

Periodicals

- Caiden, Naomi. "Do Politicians Listen to Experts?" Public Budgeting and Finance, 11 (Spring 1991), pp 41-49.
- Doyle, Richard, and McCaffery, Jerry. "The Budget Enforcement Act of 1990: The Path to No Fault Budgeting," Public Budgeting and Finance, 11 (Spring 1991), pp 25-40.
- Kee, James E., and Nystrom, Scott V. "The 1990 Budget Package: Redefining the Debate," Public Budgeting and Finance, 11 (Spring 1991), pp 3-24.

Public Documents

- U.S. Department of Defense. The Planning, Programming, and Budgeting System. Department of Defense Directive 7045.14, Washington, D.C., 1984, pp 1-3.
- U.S. Department of Defense. Implementation of the Planning, Programming, and Budgeting System (PPBS). Department of Defense Instruction 7045.7, Washington, D.C., 1984, p 3.
- U.S. Department of Defense. Department of the Navy Planning, Programming and Budgeting System (PPBS). Secretary of the Navy Instruction 5000.16E, Washington, D.C., 1986, p 4.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, VA 22304-6145	2
2. Library, Code 0142 Naval Postgraduate School Monterey, CA 93943-5002	2
3. Dr. Jerry L. McCaffery, Code AS/MM Naval Postgraduate School Monterey, CA 93943-5000	2
4. CDR Louis Kalmar, Code AS/KL Naval Postgraduate School Monterey, CA 93943-5000	1
5. LT Howard H. Haynes, Jr. Officer in Charge, NAVFAC Contracts Building #5 Naval Air Warfare Center Lakehurst, NJ 08733-5011	1

END